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Budgetary Outlook for the European Union 2024

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Budgetary Outlook for the European Union 2024

Offering an overview of the budgetary situation in the European Union, this study continues an annual series of 'Outlooks' produced by the European Parliamentary Research Service (EPRS) over the past seven years.

In seven chapters, the authors of the publication explain and analyse the annual EU budget and give an overview of its headings for 2024, all within the wider budgetary context of the EU's post-2020 multiannual financial framework (MFF) and the Next Generation EU recovery instrument. In particular, the paper takes full account of the revision of the current MFF, adopted early in in 2024, and the subsequent adjustments to the 2024 budget.

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1 Introduction

Dear reader,

We are pleased to present you with the 'Budgetary Outlook for the European Union 2024'.

This publication aims to provide a succinct overview of the key facts, figures, rules, procedures and developments in the EU budget.

Against the backdrop of limited EU financial resources, challenges such as Russia's war of aggression against Ukraine and the energy crisis had practically exhausted the margin of manoeuvre built into the 2021-2027 multiannual financial framework (MFF). Strongly advocated by the European Parliament, the first-ever MFF revision reflects the additional financial needs of an EU challenged by new tasks and multiple crises. The revised MFF increased the financial resources available to the EU for external action, security and defence, migration and border management, and flexibility instruments. Following the MFF revision, Draft Amending Budget 1/2024 increased the annual budget available for the year 2024.

Entering the second half of its lifecycle, the Next Generation EU (NGEU) recovery instrument is now in full swing. Launched to tackle the socio-economic consequences of the COVID-19 crisis, NGEU is expected to reinforce significantly the EU budget, providing additional payments estimated at €112.9 billion in 2024. These resources, mainly channelled through the Recovery and Resilience Facility (RRF), finance investment and reform measures in strategic areas such as the green and digital transitions aimed at helping Member States to emerge from the crisis stronger than before. The recent mid-term evaluation of the RRF takes stock of progress so far and challenges ahead.

Reflection and debates on the next MFF period, due to start in 2028, are already ongoing, with many financing needs to be taken into account. For example, the EU budget will have to finance the principal repayment of NGEU grants from 2028 as well as higher-than-initially-planned borrowing costs due to inflation and increasing interest rates. The European Parliament, the Council and the Commission have agreed to introduce new own resources to finance the repayment. However, so far there has not been any significant progress in the Council on new own resources. Other topics expected to be in the spotlight are further financial support for Ukraine and other candidate countries as well as the need for stronger EU defence. In addition, the EU needs to invest further in its green and digital transformation to remain competitive, as recently underlined by former ECB President Mario Draghi, who is to deliver a high-level report on competitiveness in the summer of 2024. In his Sorbonne speech in April 2024, French President Emmanuel Macron proposed joint borrowing to finance European defence.

This publication follows the long-standing annual EPRS flagship publication 'Economic and Budgetary Outlook'. The focus of the annual publication is now put exclusively on budgetary issues, with a view to enriching further the information available on the EU budget for the reader who is interested in budgetary issues. While the 'Budgetary Outlook' will, as a rule, be published in January to provide an outlook for the coming financial year, this year the publication has been postponed to April to present the latest developments following the first-ever revision of the ceilings of the MFF and the resulting changes to the EU's annual budget for 2024.

Economic issues continue to be analysed in another well-established EPRS series, 'Monitoring the EU's economic outlook', which will increase its frequency, becoming the 'Economic Outlook Quarterly' as of its June 2024 edition. Published four times a year, that publication will delve into the

EU's economic forecast and other topical economic issues, including the progress in NGEU implementation.

We hope you enjoy reading the 'Budgetary Outlook 2024'. Please do not hesitate to send us your feedback or suggestions, which we will gladly take up for future updates!

Members' Research Service, EPRS

2 EU budget: structure and principles

The EU budget has some important distinctions compared to national budgets, which are outlined here. These include its limited size, its limited flexibility in terms of spending, and the specific role of the EU budgetary authorities.

While the EU budget represents a small proportion of overall public spending in the EU, it has features that enable it to punch above its weight. The funding allocated through the EU budget has provided significant benefits to European citizens and helped to reduce disparity between EU regions.[1] The EU has responded to the challenges of recent years with new and innovative instruments, in particular the Next Generation EU (NGEU) recovery instrument (see Chapter 5),[2] involving the issuing of common debt and proposals for new EU own resources,[3] by which the role of the EU budget and financing have broadened.

More recently, the EU reached an agreement for a revision of the current multiannual financial framework (MFF), for which the European Parliament had called repeatedly. This first-ever revision of the MFF includes the setting up of a Ukraine Facility for 2024-2027 with a volume of €50 billion.[4] That decision follows the exhaustion of available resources under the initial MFF. The effort to continue funding the EU's priorities while responding to new issues such as Russia's war against Ukraine is a challenge, and will continue to be a challenge, given the need to repay the debt, starting in 2028, that the EU took on with the establishment of NGEU. Addressing these challenges will demand reform of the own resources system of the EU budget.

After the 2024 European elections, elected Members of the European Parliament will have to participate in planning the post-2027 MFF, including the challenge of securing sufficient revenues to start repaying NGEU-related debt without having to reduce existing EU programmes. The budgetary challenges related to future EU enlargement could be part of the EU budget agenda. The EU needs to invest further in its green and digital transformation to remain competitive – as recently underlined by former ECB President Mario Draghi, who is to deliver a high-level report on competitiveness in the summer of 2024 – and there are some voices in the EU proposing another NGEU with more joint debt to finance Europe's future investment in competitiveness.[5] Another topic will be how to ensure appropriate financial resources to finance EU defence in light of Russia's war of aggression against Ukraine and a generally more unsafe world. One suggestion has been the introduction of 'European defence bonds'.[6]

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1 European Commission, Benefits of the EU budget: How the programmes and initiatives of the 2014-2020 long-term budget had an impact on European citizens' lives in different policy areas; European Commission, Cohesion in Europe towards 2050, Eighth report on economic, social and territorial cohesion, December 2021.

2 A. D'Alfonso, Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic, EPRS, European Parliament, 2020.

3 A. D'Alfonso, Own resources of the European Union: Reforming the EU's financing system, EPRS, European Parliament, June 2021.

4 K. Kowald and M. Pari, First-ever revision of the EU's long-term budget: Agreement between Parliament and Council, EPRS, European Parliament, February 2024; T. Peters, Establishing the Ukraine Facility, EPRS, European Parliament, March 2024.

5 G. Faggionato, EU must find 'enormous amount' of money to face global challenges, Draghi says, Politico, 24 February 2024.

6 H. Foy, P. Tamma, L. Abboud and G. Chazan, Emmanuel Macron to revive demands for European defence bonds, Financial Times, 21 March 2024.

2.1 Role and size of the EU budget

The purpose of the EU budget is to provide financing to implement EU policies and, in line with the principle of subsidiarity and proportionality, the EU budget provides European added value by supporting actions that can be more efficient, effective or synergetic than actions taken at national, regional or local level.

Analysts[7] note that the EU budget has played two of the three functions that economic theory traditionally attributes to public finance: the provision of public goods such as promotion of research and innovation activities, and some redistribution of resources to reduce disparities. The latter is in line with the objectives of economic, social and territorial cohesion between EU regions enshrined in the Treaty on the Functioning of the European Union (TFEU).[8] These two functions are not mutually exclusive, since a policy area with redistributive objectives, such as cohesion, can at the same time provide public goods. The third function, which had not been covered previously by the EU budget because of its size and limited flexibility in the context of multiannual planning, is macroeconomic stabilisation. The new temporary recovery instrument, NGEU, has been playing this role to a certain extent since 2021.

Studies often draw attention to the relatively small size of the EU budget, concluding that this and other features limit its overall capacity to provide public goods and play a redistributive role. For example, one paper[9] estimates that the annual redistribution of resources operated by the EU budget over the last 15 years corresponds to 0.2 % of the area's gross national income (GNI),[10] compared to 1.5 % for the federal budget in the US. In other words, in the EU 80 % of resources are returned to the Member State that provided them.

The EU budget has traditionally accounted for around 1 % of EU GNI.[11] EU Member States' public spending represented, on average, 49.6 % of their GNI in 2022, very similar to the 51 % of their GNI in 2021 (see Figure 1).[12] This share declined from a record 53 % in 2020, when public spending increased to mitigate the impact of the COVID-19 pandemic and the resulting recession.[13]

[7] A. Bénassy-Quéré, X. Ragot and G. Wolff, Which Fiscal Union for the Euro Area?, Conseil d'analyse économique, February 2016.

[8] Part Three, Title XVIII, TFEU.

[9] P. Pasimeni and S. Riso, The redistributive function of the EU budget, IMK – Hans-Böckler-Stiftung, November 2016.

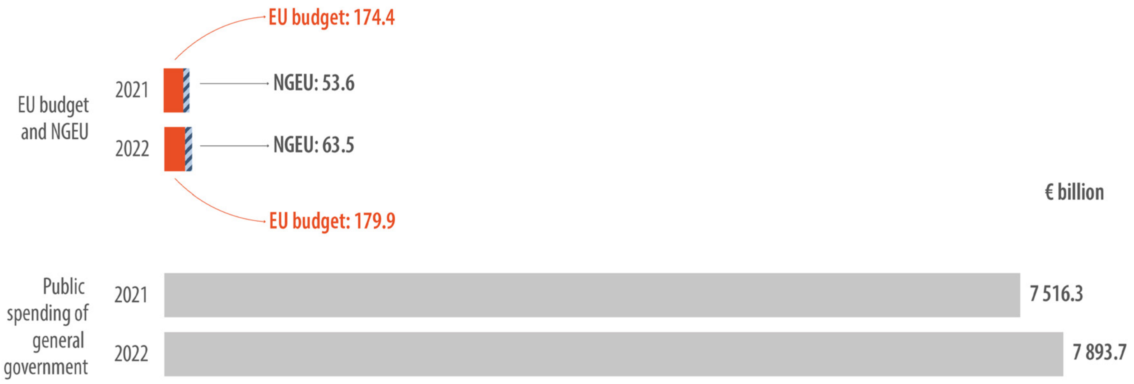
[10] In recent years, the figure has reached 0.3 % as a result of increasing diversity in the EU, determined on the one hand by the accession of 13 Member States with lower per capita income as of 2004, and on the other by growing divergence in economic performance and unemployment rates following the financial and economic crisis.

[11] As of 2021, this share has risen above 1 % of EU-27 GNI, following the adoption of the new MFF and the temporary recovery instrument as well as the withdrawal of the UK from the EU. In 2022, authorised EU budget payments represented 1.14 % of EU GNI (see Chapter 2), excluding expenditure financed by the NGEU recovery instrument. For 2023, the EU budget was agreed again at 1.14 % of EU GNI.

[12] See Eurostat.

[13] The share of the EU Member States' public spending represented, on average, between 46 % and 49 % of EU GNI in the period 2014-2019 (see Eurostat).

Figure 1 – EU budget and general government expenditure in the EU (2021 and 2022, € billion)



Data source: EU spending and revenue 2021-2027, European Commission, and Eurostat.

Prior to the outbreak of the pandemic and before NGEU implementation began, the EU budget represented some 2 % of total public spending in the EU. Federal spending usually represents at least half of the total public spending in decentralised models, such as the US.[14] In December 2020, together with the adoption of the budgetary package for 2021-2027, a major innovation was the launch of NGEU, financed through resources borrowed on the markets by the European Commission on behalf of the EU (see Section 3.2 and Chapter 5). As a result, NGEU has significantly increased the resources channelled through EU budgetary instruments in the first part of the programming period, with a view to helping the EU and national economies recover and become more resilient.

The EU budget has a rather high share devoted to investment compared with national budgets, where most resources are typically allocated to consumption and transfers. Furthermore, the EU budget demonstrates significant capacity to leverage complementary sources of financing through innovative financial instruments (see below). There are other advantages of the EU budget, such as economies of scale in policy areas where the pooling of resources at EU level may help to meet objectives more effectively, as in the field of development cooperation with third countries.

The EU budget is different in nature and function from national budgets, since it is mainly an investment budget with a focus on measures with European added value.[15] In some countries, the EU budget represents a significant source of resources for investment (see Figure 2).[16]

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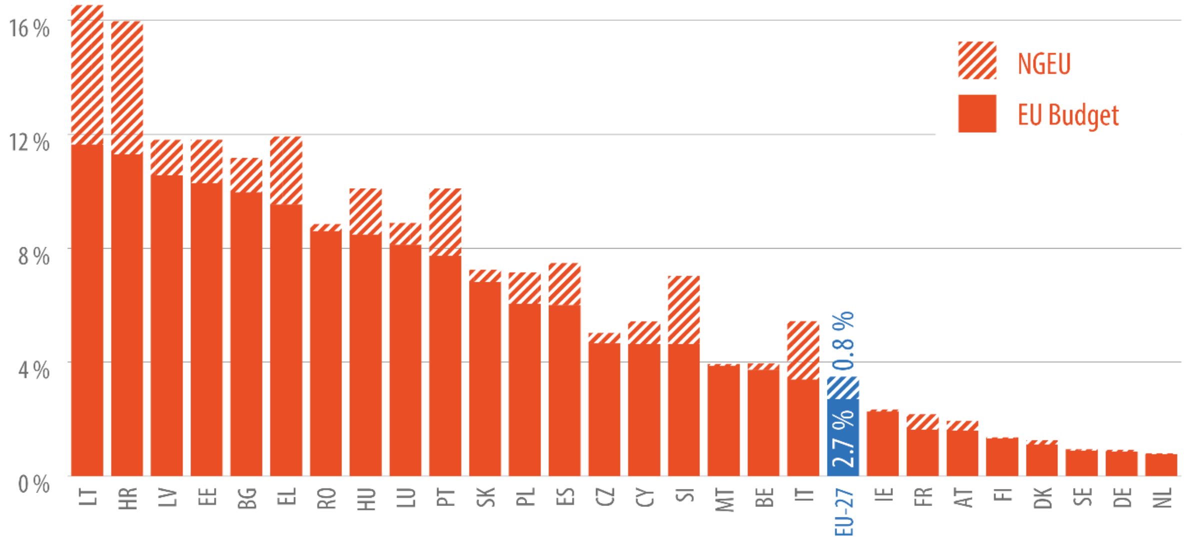
14 C. Cottarelli and M. Guerguil (eds.), Designing a European Fiscal Union: Lessons from the experience of existing federations, Routledge, 2015. The authors examine the budgetary arrangements between central and subnational levels of government in a sample of 13 federations (all those with a nominal gross domestic product higher than US$400 billion in 2011).

15 The added value of the EU budget, SEC(2011) 867, European Commission, June 2011; European Parliament resolution of 13 June 2012 on the MFF and own resources; Reflection paper on the future of EU finances, COM(2017) 358, European Commission, June 2017.

16 While the European Commission publishes the allocation of expenditure to Member States, it underlines that this is only an accounting exercise that does not provide a complete overview of the benefits that each Member State derives from EU membership. Annex 1a shows this allocation for each major category of EU spending in 2022.

Figure 2 – EU budget as a share of public spending in individual Member States (2022)



Data source: EU spending and revenue 2021-2027, European Commission, and Eurostat (provisional data).

Co-financing is a characteristic of the EU budget, which means that EU spending is often used in conjunction with funding from other public or private sources, thus resulting in total investment being higher than the EU contribution proper. In addition, with a view to maximising the 'multiplier effect' of the EU budget, innovative financial instruments such as triggering equity, quasi-equity, debt or guarantee funding have been developed to support economically viable investments in line with EU objectives. While innovative financial instruments are not suitable for all kinds of public spending, they have features that make them attractive for some policy areas and objectives, notably by attracting additional funding from other sources (leverage effect), and generating income through amounts repaid by funding beneficiaries to be used for new operations in line with the same policy objectives (revolving instruments). The leverage effect can vary significantly from one instrument to another.

Regarding the 24 financial instruments covering internal policies, the Commission reports that, at the end of 2022, the EU contribution committed in all internal and external financial instruments amounted to €16.43 billion. When adding to the EU contribution the financing mobilised from other sources of €138.91 billion, financial instruments have allowed for €155.34 billion of financing to be provided to final recipients. This implies that the EU intervention has a leverage effect of almost 10 times the EU contribution committed. In other words, each euro invested by the EU budget in financial instruments has enabled, on average, almost €10 of financing provided to final recipients.[17] From the launch of each financial instrument until 31 December 2021, around 1 280 000 small and medium-sized enterprises (SMEs) and small midcaps (up to 499 employees) had reportedly received funding from these financial instruments.[18]

[17] Draft general budget of the EU for the financial year 2024, Working Document Part X, European Commission, COM(2023) 300, June 2023.

[18] Draft general budget of the EU for the financial year 2024, Working Document Part X, European Commission, COM(2023) 300, June 2023. For more details on the advantages and challenges of financial instruments, see Implementing the EU budget through financial instruments – lessons to be learnt from the 2007-2013 programme period, European Court of Auditors, 2016; and Financial instruments: defining the rationale for triggering their use, Policy Department for Budgetary Affairs, European Parliament, October 2017.

The European Commission's High-Level Group on Own Resources notes, based on a study[19] it requested, that wealthier Member States have a comparative advantage when it comes to attracting resources linked to the main financial instruments.[20] The distribution of these resources therefore differs from that in traditional EU spending areas such as cohesion and agriculture. Owing to the leverage effect and evolving nature of these instruments, the standard representation of the allocation of EU expenditure to Member States (see Annex 1a) provides only a partial picture of the overall benefits deriving from the EU budget and EU membership.

In some policy areas, the pooling of resources at EU level may bring advantages such as economies of scale and elimination of duplication, generating European added value and enabling more effective achievement of results. An EPRS study analysed budgetary benefits and cost savings such as the additional provision of public goods, efficiency gains and lower administrative costs that Member States can realise by means of funding policies and programmes with European added value at EU rather than national level. Applying a new methodology for assessing the 'waste rate' in overlapping national spending to four case studies on health, climate change, social insurance and defence, the study concludes that Member States could save €180 billion per year through improved allocation of budgetary resources in these policy areas.[21] Other policy areas often deemed to have great potential for enhanced joint action include digital infrastructure and its protection, external borders and asylum management.[22]

2.2 EU budget structure

2.2.1 Revenues

According to Article 311 TFEU, the EU shall provide itself with the means necessary to attain its objectives. Based on that, the 'own resources' system sets out how the EU budget is financed.

The financing of the EU budget has so far been ensured[23] by three main sources of revenue: traditional own resources (customs duties and sugar levies); an own resource based on a harmonised base of value-added tax (VAT); and an own resource linked to Member States' GNI, which plays the role of balancing the budget.[24] The maximum level of resources available for the EU budget is set at 1.40 % of EU GNI (the 'own resources ceiling') (up from 1.23 % in 2014-2020), after having remained virtually unchanged since the 1990s. The own resources ceiling has been increased by a further 0.6 percentage points of EU GNI on an exceptional and temporary basis (until 2058) to allow the EU to borrow on the markets to finance NGEU.

The GNI-based resource and a VAT-based resource are perceived by the Member States as national contributions rather than genuine EU own resources. The predominant role of these resources promotes a focus in budgetary negotiations on Member States' net balances and programmes with

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19 J. Núñez Ferrer, J. Le Cacheux, G. Benedetto and M. Saunier, The potential and Limitations of Reforming the Financing of the EU Budget, CEPS, July 2016.

20 Future financing of the EU: Final report and recommendations of the High-Level Group on Own Resources, European Commission, 2017.

21 J. Saulnier, Improving the quality of public spending in Europe: Budgetary 'waste rates' in EU Member States, EPRS, European Parliament, 2020.

22 J. Pisani-Ferry, Europe can take a bigger role in providing public goods, Financial Times, 3 December 2019. See also: Increasing European added value in an age of global challenges: Mapping the cost of non-Europe (2022-2032), EPRS, European Parliament, 2023.

23 Council Decision of 26 May 2014 on the system of own resources of the European Union (2014/335/EU, Euratom).

24 Other revenue, which is not classified as own resources, includes, inter alia, tax on EU staff salaries, contributions from non-EU countries to certain programmes, and fines on companies for breaching competition law.

geographically pre-allocated expenditure. During the negotiations for the establishment of the current MFF, Parliament managed to obtain a roadmap for the introduction of new own resources[25] which should cover at least the repayment costs of NGEU (see more details on own resources in Chapter 7).

In accordance with Article 310(1) TFEU, 'revenue and expenditure shown in the budget shall be in balance'. It had generally been understood that the principle of budgetary equilibrium in EU law has a substantive content in the form of a general prohibition of debts on the EU level. As the EU cannot secure its financing through own taxation, unlike its Member States, but is dependent on 'own resources', it was concluded that the EU Treaties actually prohibit debt on the EU level.[26] With the arrival of NGEU, a debate has opened up on the limits of debt financing for the EU inside and outside its budget.[27]

2.2.2 Expenditure – multiannual planning and annual budget

The expenditure side of the budget has an annual budgetary cycle and a long-term financial plan, the MFF. Its duration should be at least five years, but has been consistently seven years long since 1993. In accordance with Article 312 TFEU, the MFF is a legally binding act. It sets the EU's long-term policy priorities and the scope of their implementation, i.e. it sets the financial allocation ceilings for new commitments in each spending category and an overall ceiling for annual payments – responding to existing issues and setting the trends for future developments. It allows the EU to plan and invest in long-term projects and long-term policy priorities. However, at the same time the MFF works as an instrument of the Member States to restrict overall EU spending, and it severely limits the budgetary rights of the European Parliament.

The 2021-2027 MFF[28] is structured according to major categories ('headings') of EU spending, similar to previous MFFs, with the previous Heading 'Security and Citizenship' being split into two separate headings – 'Migration and Border Management' and 'Security and Defence'. The MFF resources for commitments over the entire 2021-2027 period amount to €1 074.3 billion in 2018 prices, in accordance with the initially adopted MFF. The amount has been increased to €1 079.5 billion after the first-ever mid-term revision.

The MFF is complemented by the NGEU recovery instrument to address the consequences of the pandemic (see Chapter 5). Worth €750 billion in 2018 prices, this major innovation in EU finances, and an off-budget instrument, is providing a mix of grants (€390 billion) and loans (€360 billion) over the 2021-2023 period: the grants increase the size of the EU budget and represent external assigned revenue (see Chapter 4), while resources borrowed to finance loans are transferred directly to Member States.

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25 Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433I, 22.12.2020, p. 28). See also A. D'Alfonso, Own resources of the European Union: Reforming the EU's financing system, EPRS, European Parliament, 2021.

26 C. Waldhoff, AEUV Artikel 310 sections 5, 6, in C. Calliess and M. Ruffert (eds.), EUV - AEUV - Das Verfassungsrecht der Europäischen Union mit Europäischer Grundrechtecharta, 6th edition, 2022.

27 S. Grund and A. Steinbach, European Union Debt Financing, Leeway and Barriers from a Legal Perspective, Bruegel Working Paper, 12 September 2023; Opinion of the Legal Service on Proposals on Next Generation EU, Council of the European Union, 24 June 2020.

28 Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

In addition, there are certain special instruments outside the MFF ceilings, such as the European Globalisation Adjustment Fund, the Solidarity and Emergency Aid Reserve, the Brexit Adjustment Reserve and the Flexibility Instrument, as well as flexibility provisions to give some room for manoeuvre in case of unexpected events (see Section 3.2.3). The challenge is to strike the right balance between the predictability of investments and the capacity to address unforeseen events and new priorities that can emerge during a rather long programming period.[29]

2.3 Main institutional actors in three key phases of the budgetary cycle – budgetary powers explained

2.3.1 Adoption

The European Commission drafts the EU budget, both the annual budget and MFF. The European Parliament and the Council of the European Union are the two arms of the EU budgetary authority deciding on the Commission proposal, and Parliament's and the Council's powers differ depending on the issue at stake. However, national governments play a central role in all EU budget decisions, as all major budgetary decisions apart from discharge are taken with the approval of the Council. For the annual budgetary expenditure, both Parliament and the Council enjoy an equal footing. The Council adopts the regulation establishing the MFF unanimously; however, it needs to obtain Parliament's consent beforehand. The decision on the design of the own resources system requires unanimity in the Council and ratification by all Member States, while the European Parliament is consulted.

This asymmetry in the powers of the budgetary authority's two arms sharpens the differences in their perspectives on budgetary issues.[30] While the budget procedure has been modified over the years, the veto power enshrined in the Treaties both for the own resources system and the MFF is deemed to favour the continuation of the status quo, which has generally ensured a balance between Member States, which join forces in subgroups sharing the same interests. For instance, debates on budgetary negotiations often refer to groups as either net contributors or net beneficiaries, and as 'friends of cohesion', 'friends of better spending or correction mechanisms', and 'friends of agriculture'. The European Parliament has long pushed for EU budgetary reform – including in areas where its powers are more limited, such as own resources and the MFF – with the aim of shifting the focus of budgetary discussions to measures with European added value.[31] However, the unanimity requirement in the Council for the adoption of own resources and the MFF is often seen as an obstacle to major EU budget reform.

The impact of the pandemic, meanwhile, brought a new dynamic to the MFF negotiations, resulting in an innovative package with the launch of a temporary recovery instrument. Involvement of both arms of the budgetary authority in NGEU governance was key in the negotiations. Parliament, which is involved through a regular, structured dialogue with the Commission, has the power to scrutinise[32] NGEU implementation (see Section 6.4). Russia's war of aggression against Ukraine and

[29] For more information on flexibility, see M. Sapała, How flexible is the EU budget? Flexibility instruments and mechanisms in the multiannual financial framework, EPRS, European Parliament, 2020.

[30] See, for example, B. Patterson, Understanding the EU Budget, 2011; S. Becker, M. Bauer and A. De Feo (eds.), The New Politics of the European Union Budget, 2017.

[31] See, for example, its resolution of 6 July 2016 on the preparation of the post-electoral revision of the 2014-2020 MFF: Parliament's input ahead of the European Commission's proposal; and its resolution of 24 October 2017 on the Reflection Paper on the Future of EU Finances.

[32] C. Dias, European Parliament involvement in scrutinising the Recovery and Resilience Facility, Economic Governance Support Unit, European Parliament, October 2021.

its consequences also created a new dynamic in the way the EU budget is executed and led to the first-ever MFF revision (see Chapter 3).

2.3.2 Implementation

The European Commission is responsible for the execution and implementation of the EU budget. However, implementation involves a wide range of actors under the three different management modes set out in the EU Financial Regulation: shared management, direct management and indirect management. In 2022, Member States implemented 56 % of the MFF in 'shared management' with the Commission, which in the 2021-2027 period applies to most expenditure under Sub-heading 2a 'Economic, social and territorial cohesion' and Heading 3 'Natural Resources and Environment'. Of the remaining MFF expenditure, 37 % was implemented under 'direct management' (Commission and EU executive agencies), while 7 % was carried out under 'indirect management' (by other entities, such as third-country authorities, international organisations, EU decentralised agencies and specialised EU bodies).[33] Prior to NGEU, shared management was by far the most common implementing mode (around 80 % of the EU budget), but the Recovery and Resilience Facility financed by NGEU significantly increases the share of direct management in the years through to 2026.

2.3.3 Scrutiny of EU spending

Scrutiny of the EU budget is conducted during and after implementation and includes various control and audit obligations. During the implementation stage, the European Commission reports regularly to the budgetary authority on the state of implementation. Any adjustments to the annual budget are scrutinised by the European Parliament and the Council. The EU Financial Regulation[34] is designed to ensure that EU resources are used correctly and effectively.

The scrutiny after implementation involves the annual discharge procedure, which is conducted by the European Parliament based on a recommendation from the Council (see Chapter 6). The annual discharge procedure includes recommendations for improving the financial management and implementation of the EU budget, and recently the scrutiny has focused increasingly on performance and achievement of goals. From the financial year 2021, discharge includes the grant component of NGEU.

In 2021, the Budgetary Conditionality Regulation entered into force.[35] Measures under the Conditionality Regulation can only be proposed if the Commission finds out that breaches of the rule of law principles directly affect or seriously risk affecting the sound financial management of the Union budget or of the financial interests of the Union in a sufficiently direct way. Under this regulation, various measures for suspension, termination, reduction or prohibition of payments and commitments can be applied if necessary.

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33 Integrated financial and accountability reporting: Overview for the financial year 2022, European Commission, 2023.

34 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1).

35 Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).

3 Multiannual financial planning

The multiannual financial framework (MFF) sets out the structure of EU expenditure and its planning for a seven-year period. It defines the maximum annual amounts, or 'ceilings', for commitment and payment appropriations. The first MFF was agreed in 1988 (the Delors I package), while the current MFF is the sixth and covers the period from 2021 to 2027.

The MFF, embedded in a regulation, is agreed by a special legislative procedure (Article 312 of the Treaty on the Functioning of the European Union (TFEU)). It requires unanimity in the Council and the consent of the European Parliament. The EU's long-term financing is of high importance for the Member States. Therefore, political decisions on the MFF are taken at the level of the EU's Heads of State or Government.

The 2021-2027 MFF was agreed in the midst of the COVID-19 pandemic, in December 2020, in a context of difficult economic conditions for the Member States. The MFF was set at €1 074.3 billion, supplemented with €750 billion (2018 prices) financing from a novel instrument to assist recovery from the pandemic, Next Generation EU (NGEU). .

The EU's long-term budget, facing multiple severe crises – the pandemic and its consequences and the outbreak of the war in Ukraine – was not sufficient. The European Parliament called repeatedly for a meaningful and urgent revision of the EU's long-term budget to enable the EU to respond to the needs effectively.

In 2024, for the first time ever, the European Parliament and the Council agreed to increase the ceilings of the MFF for the years 2024 to 2027 and notably expenditure under the special instruments, set 'over and above' the MFF ceilings. This provided a reinforcement of €14.6 billion (in current prices – of which €10.6 billion originates from a redeployment of funds) to cope with migration needs, support key technologies and enhance the EU budget's flexibility. The revised MFF is also reinforced with two new special instruments: the Ukraine Reserve, with €17 billion in grants for Ukraine, and the European Union Recovery Instrument.

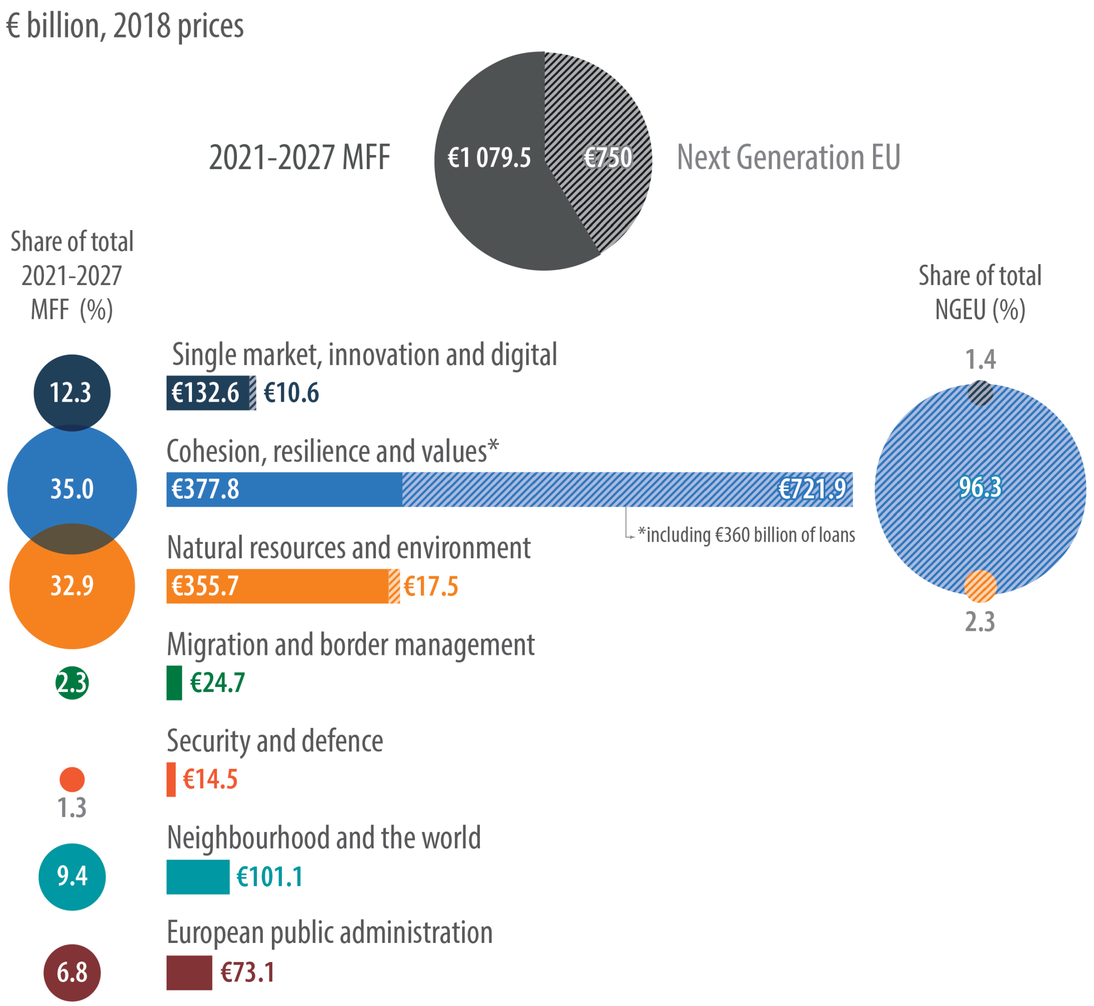
Already, there is foreseeable pressure on the EU's long-term financing stemming from the repayment of the principal on the debt for the NGEU grants as of 2028 and the increased interest rates in recent years on that debt. Parliament has repeatedly asked that new EU own resources be established to repay NGEU debt, thereby preserving the financial envelopes of other EU programmes. Additional financing needs have emerged, such as building stronger defence capacities for the EU or the costs related to future enlargement of the EU. Those challenges are expected to influence the agenda of the EU's budgetary authority significantly in the forthcoming months and years.

The European Union's spending is based on a seven-year plan, the multiannual financial framework (MFF), structured around the Union's political priorities. Article 312 of the Treaty on the Functioning of the European Union (TFEU) clarifies that the aim is to ensure better planning of the EU's expenditure, by setting the annual upper ceilings for each category of expenditure ('heading') for commitment appropriations and an overall annual ceiling for payment appropriations.[36]

[36] For definitions of the terms 'commitment appropriations' and 'payment appropriations', see the European Commission Glossary.

The current MFF[37] sets out the structure for EU spending from 2021 until the end of 2027. It is the sixth MFF and was agreed at the end of 2020, when the EU was addressing the dire economic and social consequences of the COVID-19 pandemic. At the same time, a temporary instrument, Next Generation EU (NGEU) was established specifically to address the consequences of the pandemic, reinforcing significantly the resources channelled through EU budgetary instruments over the years 2021 to 2023. Overall, the EU's resources for the financial period 2021-2027 were set, in 2018 prices, at €1 079.5 billion for the MFF and €750 billion for NGEU.

Figure 3 – Revised 2021-2027 MFF and NGEU by heading



Source: EPRS, based on COM(2024)110 final.

During the current financial programming period, a further reform of the financing system, including new 'own resources' for the EU, is envisaged. A roadmap for proposals for the gradual introduction of new own resources has been agreed (see Chapter 7), particularly to cover the costs related to NGEU. To date, however, despite the proposals for new own resources put forward by the Commission, little progress on their introduction has been registered in the Council, which has triggered delays in the agreed calendar.

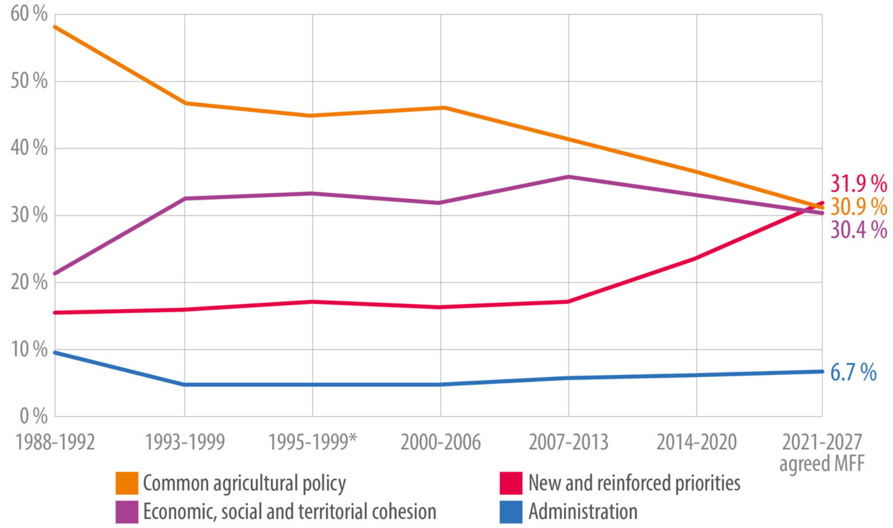
37 EU multiannual financial framework (2021-2027).

3.1 2021-2027 Multiannual Financial Framework

3.1.1 EU spending structure and priorities

The initial 2021-2027 financial framework reflected a rebalancing of resources between the broad categories of expenditure. The shares of the MFF devoted to the two traditional policies – agriculture and cohesion – have decreased in recent years. The resources for new and reinforced priorities, such as research, defence and migration, increased to a similar level of expenditure as the traditional policies, around one third of the MFF (31.9 %).

Figure 4 – Share of main policy areas in multiannual financial frameworks



Data source: European Commission website.

The recent revision of the MFF enhanced the MFF headings[38] by 0.3 % when taking into account the redeployments and for the full seven-year period. The most significant reinforcement took place for Heading 5 'Security and defence' (10.1 %). Heading 4 'Migration and border management' increased by 7.6 % and Heading 6 'Neighbourhood and the world' by 2.8 %.

The largest increase, however, concerns the special instruments outside the MFF ceilings. Two new special instruments were established: the Ukraine Reserve, which was endowed with €17 billion and increased substantially – compared to the initial MFF – the combined financing weight of all special instruments by 81.3 %. The second new special instrument is the European Union Recovery Instrument (EURI), dedicated to covering the borrowing costs of NGEU. It is mobilised only as a backstop if the necessary funds have not been secured through other sources within the EU budget (see Section 3.3). As a result of the revision and the proposed redeployments, the budget for three headings has decreased: Heading 1 'Single market, innovation and digital' (-1.4 %), Heading 2 'Cohesion and values' (-0.1 %) and Heading 3 'Natural resources and environment' (-0.2 %).

[38] Comparison in current prices.

Table 1 – 2021-2027 MFF: Comparison between the initially agreed MFF (as adjusted for 2024) and the MFF after the revision (current prices)

	Commitments, 2021-2027 MFF, € billion, current prices	Initial MFF	Revised MFF	Diff.	% change
MFF headings	Heading 1: Single market, innovation and digital	151.3	149.2	-2.1	-1.4 %
	Heading 2: Cohesion and values	429.4	429.0	-0.4	-0.1 %
	Heading 3: Natural resources and environment	401.0	400.3	-0.7	-0.2 %
	Heading 4: Migration and border management	26.2	28.2	2 .0	7.6 %
	Heading 5: Security and defence	14.9	16.4	1.5	10.1 %
	Heading 6: Neighbourhood and the world	110.6	113.7	3.1	2.8 %
	Heading 7: European public administration	82.5	82.5	0.0	0.0 %
	Total commitment appropriations	**1 215.9**	**1 219.3**	**3.4**	**0.3 %**
Special instruments	Solidarity and Emergency Aid Reserve	9.5	3.9	1.5	15.9 %
	European Solidarity Reserve	-	4.7		
	Emergency Aid Reserve	-	2.4		
	European Globalisation Adjustment Fund for Displaced Workers	1.5	0.7*	-0.7	-49.3 %
	Brexit Adjustment Reserve	5.5	4.9	-0.6	-10.7 %
	Flexibility Instrument	7.2	9.2	2.0	27.7 %
	Ukraine reserve	-	17.0	17.0	NEW
	EU Recovery Instrument	-	*Cascade mechanism*		NEW
	Total special instruments	**23.6**	**42.8**	**19.2**	**81.3 %**
	TOTAL EU budget	**1 239.5**	**1 262.1**	**22.6**	**1.8 %**
Loans	Ukraine Reserve loans	33.0			

*Total reduction in the revised MFF of €1.3 billion when including amounts lapsed in 2021-2023.

Source: EPRS, based on COM(2023) 320 final and COM(2024) 110.

3.1.2 Ceilings for commitments and payments

Table 2 below shows the maximum level of resources available for each major category of EU spending under the MFF each year until 2027, as revised in February 2024.[39] Total appropriations amount to €1 079.5 billion for commitments and €1 065.5 billion for payments (2018 prices). These figures also include the calculation, as from the year 2022, of the additional allocations for specific flagship programmes providing EU common goods, such as those on research, health, Erasmus+ and border management (Annex II of the MFF Regulation). For the whole of the 2021-2027 period, a total increase of €11 billion was initially envisaged,[40] thanks to upward adjustments of the ceilings secured in 2020 by the European Parliament during the negotiations for the 2021-2027 MFF. Following the revision of the MFF, these increases were revised downwards. This provision now envisages additional allocations for the same specific programmes of €10.2 billion.

Within a budget year, any margins left available between relevant ceilings and the appropriations authorised by the budgetary authority represent potential additional resources that amending budgets can mobilise during the year to address new challenges and unexpected events.[41] For the year 2024, the margin for commitments stands at €360 million (see Chapter 4). At the same time, the Single Margin Instrument, as from the budget year 2023, allows use to be made of the margins that were left available under the commitments ceilings in previous budget years (see Section 3.3).

With regard to payments, the ceilings were projected to be higher in the first three years of the programming period, before stabilising at around €151.2 billion as from 2025 (2018 prices).

The European Court of Auditors (ECA) reported that the absorption of the 2014-2020 European structural and investment (ESI) funds continued in 2022, with the cumulative payments reaching 80.4 %, compared with 67 % at the end of 2021, even though more slowly than in the previous two years.[42] With regard to the 2021-2027 ESI funds, commitments progressed significantly only in late 2022, reaching 90 % of the available commitments. This is a slower pace than in the previous programming period, due to the delayed approval of the legislation and the relevant operational programmes. Furthermore, Member States prioritised implementation of the RRF, which has a shorter timeline, with objectives to be met by August 2026 and payments to be disbursed until the end of 2026 (see Chapter 5), compared to cohesion policy, which can be implemented until the end of 2029. To avoid decommitments, the ECA advises accelerating the implementation of funds under shared management and the absorption of outstanding commitments.[43] The European Parliament expressed[44] its concerns relating to the delayed start to the implementation of the 2021-2027 cohesion policy and asked that national recovery and resilience plans and cohesion funds be implemented at the same time.

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39 Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027. The revision applies from 1 January 2024.

40 For more on this mechanism, see Section 5.1.4 'Programme-specific reinforcements to ceilings as of 2022' of the Economic and budgetary outlook for the European Union 2023.

41 The MFF Regulation presents ceilings in 2018 prices, while the annual budget is presented in current prices. The available margin in commitments in the 2024 budget, as updated to reflect the revision of the MFF, amounts to €360.1 million.

42 Annual reports for the 2022 financial year, European Court of Auditors, 2023.

43 Outstanding commitments or Reste à liquider (RAL) are legal commitments which have not yet been honoured by respective payments. In June 2023, the Commission estimated the overall amount of outstanding commitments for 2024-2027 to be €322 billion for expenditure under the MFF.

44 European Parliament resolution on the start of the implementation of the 2021-2027 cohesion policy.

Table 2 – Revised MFF for the 2021-2027 period (€ million, 2018 prices, EU-27)

Commitments	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
1. Single market, innovation and digital	19 712	20 211	19 678	19 178	18 173	18 120	17 565	132 637
2. Cohesion, resilience and values	5 996	62 642	63 525	65 079	65 184	56 675	58 680	377 781
2a. Economic, social and territorial cohesion	1 666	56 673	57 005	57 436	57 772	48 302	48 937	327 791
2b. Resilience and values	4 330	5 969	6 520	7 643	7 412	8 373	9 743	49 990
3. Natural resources and environment	53 562	52 626	51 893	51 013	49 914	48 734	47 960	355 702
of which: market-related expenditure and direct payments	38 040	37 544	36 857	36 054	35 283	34 602	33 886	252 266
4. Migration and border management	1 687	3 104	3 454	3 569	4 083	4 145	4 701	24 743
5. Security and defence	1 598	1 750	1 762	2 112	2 277	2 398	2 576	14 473
6. Neighbourhood and the world	15 309	15 522	14 789	14 500	14 192	13 326	13 447	101 085
7. European public administration	10 021	10 215	10 342	10 454	10 554	10 673	10 843	73 102
of which: administrative expenditure of the institutions	7 742	7 878	7 945	7 997	8 025	8 077	8 188	55 852
TOTAL COMMITMENTS	107 885	166 070	165 443	165 905	164 377	154 071	155 772	1 079 523
TOTAL PAYMENTS	154 065	153 850	152 682	151 436	151 175	151 175	151 175	1 065 558

Data source: Annex to the MFF Council Regulation No 2024/765.

To avoid a repeat of the issue of payment backlogs, which afflicted the initial years of the 2014-2020 MFF,[45] it is appropriate to have payment ceilings commensurate with the payment needs. These are usually higher in the initial years of a new financial framework, during the transition between programming periods, given that many projects financed under the old generation of programmes

[45] For more on this topic, see A. D'Alfonso and M. Sapała, Payments backlog in recent EU budgets. Lessons learnt and outlook, EPRS, European Parliament, 2015.

come to completion. In the most recent report by the Commission,[46] issued before the revision of the MFF, payments were forecast to increase in the years 2026 and 2027, before decreasing again in 2028.

In addition, as of 2022, unused resources under the payment ceiling from the previous year may be used to adjust the payment ceiling of subsequent years upwards, by means of the Single Margin Instrument, which is designed to increase the flexibility of the framework (see Section 3.3). For the year 2024, the adjustment[47] it could bring was an additional margin for the payment ceiling of €3.7 billion (2018 prices), added in equal amounts to the last three years' ceilings of the financial period.

3.1.3 Amendments to the MFF Regulation

As far back as 22 December 2021, the Commission proposed an amendment to the Regulation on the 2021-2027 MFF[48] to increase the relevant MFF expenditure ceilings for 2025-2027. The aim was to provide additional financial resources for the expenditure related to the proposed social climate fund,[49] which aims to address the negative social impact arising from the proposed revision of the EU Emissions Trading System. Finally, the relevant legislative file was adopted without any modification of the MFF. The second proposal for a modification concerned the introduction of an automatic adjustment of the MFF ceilings based on new own resources (see Chapter 7), which would allow for the repayment of NGEU borrowing, but the proposal remained on hold.

On 9 November 2022, the Commission presented another amendment to the 2021-2027 MFF Regulation, as part of the support package for Ukraine for 2023[50] of up to €18 billion, to be provided through a new macro-financial assistance (MFA+) programme and backed up by the EU budget. This amendment[51] to the MFF was adopted by the Council following Parliament's consent and entered into force on 15 December 2022. It established a mechanism that uses, as a guarantee for the loans, the 'headroom' under the 2021-2027 MFF, namely the difference between the own resources ceiling for payments (i.e. the maximum resources that the Commission can call on from Member States in a given year) and the amount actually spent.[52]

3.1.4 Mid-term revision of the MFF Regulation: What changed?

At the time of the agreement on the 2021-2027 MFF, the European Commission committed to presenting, by 1 January 2024, a 'review' (technical assessment of the functioning of the MFF) that 'may, as appropriate, be accompanied by relevant proposals for the revision' of the MFF Regulation, meaning an effective change to the ceilings of expenditure (a 'revision').

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46 Report on the Long-term forecast of future inflows and outflows of the EU budget (2024-2028), COM(2023) 390 final, European Commission, June 2023.

47 Technical adjustment of the multiannual financial framework for 2024, COM(2023) 320, European Commission, June 2023.

48 Proposal to amend the regulation laying down the multiannual financial framework for the years 2021 to 2027, COM(2021) 569, European Commission, December 2021; Procedure 2021/0429(APP).

49 Legislative procedure for a regulation establishing a social climate fund, 2021/0206(COD), Legislative Observatory, European Parliament. For more information on the financing, see the European Parliament press release 'Deal on establishing the Social Climate Fund to support the energy transition', December 2022.

50 M. Pari, Macro-financial assistance for Ukraine in 2023, EPRS, European Parliament, November 2022.

51 Council Regulation (EU, Euratom) 2022/2496 of 15 December 2022 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027. The necessary amounts are mobilised over and above the MFF ceilings.

52 Revenue ceilings, European Commission.

With funds and flexibility measures already used extensively[53] from the start of the financial period, and funding challenges ongoing, the European Parliament, in an own-initiative report,[54] called for an urgent and ambitious revision of the MFF to address the funding gaps and allow the EU to finance its priorities. Members noted that the EU must provide itself with the means necessary to attain its objectives and carry out its policies (Article 311 TFEU). Parliament called on the Commission to advance the review of the MFF and present a revision no later than the first quarter of 2023.

Parliament asked that the revised MFF provide the EU with a bigger and more flexible budget and ensure effective, faster crisis response. Parliament called for 'fresh' funding in line with policy priorities that have emerged since the MFF was agreed. It also asked for a structural solution regarding the debt repayment of the EU recovery instrument – which is non-discretionary, but subject to interest rate fluctuations – and insisted that it should be set outside the MFF headings both to preserve current spending programmes and enable the budget to respond to emerging needs.

The Commission presented the assessment ('review') of the current EU budget in June 2023.[55] Taking into account the obvious budgetary shortcomings and challenges ahead, the Commission simultaneously presented a proposal for a revision of the MFF to enable the EU to continue providing the means for common responses to common challenges.[56] It requested a budgetary reinforcement of the MFF for the years 2024 to 2027 in commitment appropriations, €65.8 billion in grants and €33 billion in loans (in current prices). Those additional funds would serve to provide a €50 billion support facility to Ukraine[57] and its people, with €17 billion in grants and €33 billion in loans, finance a 'Strategic Technologies for Europe Platform' (STEP)[58] through redeployments and €10 billion of additional funds, provide responses to migration challenges, and cover the increased borrowing cost of NGEU (see Chapter 3).

Parliament welcomed the Commission's proposal for a revision of the MFF, highlighting the importance of addressing the consequences of Russia's war of aggression against Ukraine.[59] However, it noted the reduction in real terms of the budget's value,[60] given the high inflation rates and that not all challenges were fully addressed. It considered that an additional amount of €10 billion was necessary. Half of the increase should go to Headings 1, 4, 5 and 6 of the EU budget to enhance, among other things, the defence sector through STEP and improve policies relating to migration. The remaining €5 billion was proposed to enhance two of the special instruments, the

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[53] K. Kowald and M. Pari, Long-term EU budget for 2021 to 2027: State of play, EPRS, European Parliament, June 2023.

[54] European Parliament resolution of 15 December 2022 on upscaling the 2021-2027 multiannual framework: a resilient EU budget fit for new challenges.

[55] Communication on the Mid-term revision of the Multiannual Financial Framework 2021-2027, COM(2023) 3376, European Commission, June 2023.

[56] Proposal for a Council regulation amending regulation 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, COM(2023) 337, European Commission, June 2023. See also: K. Kowald and M. Pari, Revision of the EU's long-term budget for 2021 to 2027: Securing sufficient resources for the EU, EPRS, European Parliament, September 2023.

[57] European Commission, Proposal for a Regulation establishing the Ukraine Facility, COM(2023) 338 final, June 2023. See also: T. Peters, Establishing the Ukraine Facility: Financing Ukraine's recovery and its path to EU accession, EPRS, European Parliament, March 2023.

[58] Strategic Technologies for Europe Platform, European Commission, June 2023. See also: G. Ragonnaud and M. Mileusnic, Strategic technologies for Europe platform (STEP), EPRS, European Parliament, February 2024.

[59] European Parliament resolution of 3 October 2023 on the proposal for a mid-term revision of the Multiannual Financial Framework 2021-2027.

[60] The European Commission estimated the loss of value of the EU budget at €74 billion over the period 2021-2027, as a result of the high inflation rates and the 2 % fixed deflator that applies to the EU budget. For more details, see Staff working document on the Mid-term revision of the multiannual financial framework 2021-2027, COM(2023) 336 final.

Flexibility Instrument and the Solidarity and Emergency Aid Reserve, to equip the EU budget with sufficient flexibility in case of further unforeseen needs. Recalling that the shortfall for the EURI repayment costs stood between €17 billion and €27 billion over the MFF period, Parliament repeated its position in favour of finding a structural solution and placing the full NGEU repayment costs over and above the MFF ceilings.

A revision of the MFF requires unanimity in the Council. During the discussions at the level of the Heads of State or Government in the European Council in December 2023,[61] a common position was reached only among 26 Member States. With a view to reaching a unanimous position, negotiations continued into a Special European Council on 1 February. That European Council agreed to the first-ever revision of expenditure ceilings of an MFF and, in particular, of the special instruments. The agreement was to provide an additional €21 billion (in current prices) in fresh money for the period from 2024 to 2027 [62] and increase the ceilings for three headings: Heading 4 'Migration and border management', Heading 5 'Security and defence' and Heading 6 'Neighbourhood and the world'.

The largest share of these new appropriations, up to €17 billion in current prices, is intended to provide financial support to Ukraine and corresponds to the grants to be provided under the Ukraine Facility. The grants will be financed through a new special instrument, the Ukraine Reserve, mobilised in the context of the budgetary procedure (Section 3.3). As requested by Parliament, these funds are anchored to the EU budget, ensuring Parliament's full scrutiny. Additionally, Parliament and the Council agreed to provide €33 billion to Ukraine in the form of loans, reaching the overall amount of €50 billion of financial support for Ukraine.

Furthermore, Parliament and the Council agreed to reinforce, by €14.6 billion overall:

- the European Defence Fund under Heading 5 'Security and defence' with €1.5 billion – these appropriations will be channelled through STEP;
- Heading 4 'Migration and border management' with €2 billion, to cope with the challenges the EU faces on migration;
- Heading 6 'Neighbourhood and the world' with €7.6 billion, to deal with migration pressure and refugees in third countries and provide funding for the Western Balkans;
- the flexibility instrument with €2.0 billion, and the Solidarity and Emergency Aid Reserve €1.5 billion.

Finally, Parliament and the Council established the EURI special instrument, over and above the MFF ceilings. It will be mobilised solely to cover NGEU borrowing cost overruns that cannot be financed through other means in the previous steps, as described in the 'cascade mechanism' (Figure 7).

However, at the same time, the European Council proposed reductions and redeployments amounting overall to €10.6 billion for the following programmes: Horizon Europe, EU4Health and the centrally managed programmes of cohesion policy and the common agricultural policy (CAP), as well as for two special instruments: the Brexit Adjustment Reserve and the European Global Adjustment Fund[63] (Table 3).

[61] For more information, see R. Drachenberg and R. Torpey, Outcome of the European Council meeting of 14-15 December 2023, EPRS, European Parliament, December 2023.

[62] Conclusions of the Special meeting of the European Council, 1 February 2024.

[63] The European Council included in the reductions the amounts of the European Globalisation Adjustment Fund that lapsed in the period 2021-2023.

Table 3 – Commission, European Parliament and European Council positions on the MFF revision for 2024 to 2027 by political priority (current prices)

	MFF REVISION (€ billion, current prices)			
	COM 6/23	EP 10/23	Eur Council 2/24	
Ukraine Facility – grants	**17**	**17**	**17**	INCREASES
Strategic Technologies for Europe Platform (STEP)	**10.0**	**13.0**	**1.5**	
H 1 - InvestEU	3.0	4.2	0.0	
H 1 - Horizon Europe	0.5	1.3	0.0	
H 3 - Innovation Fund	5.0	5.0	0.0	
H 5 - European Defence Fund	1.5	2.5	1.5	
Migration and external challenges	**15.0**	**19.0**	**11.1**	
H 4 - Migration	2.0	3.0	2.0	
H 6 - External action	10.5	11.5	7.6	
Solidarity and Emergency Aid Reserve	2.5	4.5	1.5	
Inflation and borrowing cost	**20.8**	**20.8**	**0.0**	
H 7 - Administration	1.9	1.9	0.0	
EU Recovery Instrument (EURI)	18.9	18.9	0.0*	
Flexibility Instrument	**3.0**	**6.0**	**2.0**	
INCREASES	**65.8**	**75.8**	**31.6**	
Horizon Europe			-2.1	DECREASES
EU4Health			-1.0	
Cohesion/CAP centrally managed programmes			-1.1	
Heading 6			-4.5	
Brexit Adjustment Reserve			-0.6	
European Globalisation Adjustment Fund			-1.3	
DECREASES			**-10.6**	
TOTAL EU budget (incl. Ukraine Facility - grants)	**65.8**	**75.8**	**21.0**	
Ukraine Facility - loans	**33.0**	**33.0**	**33.0**	

*EURI cascade mechanism

Source: EPRS.

The unanimous agreement of the European Council on 1 February 2024 on the MFF opened the way for the Council's negotiations with Parliament, which had been ready with its negotiating position since October 2023. The members of the Parliament's Committee on Budgets succeeded in mitigating the reductions made to Horizon Europe and adjusted the implementation profile of the EU4Health programme, with the aim of making it smoother. With regard to Horizon Europe, the Parliament, Council and Commission agreed in a joint declaration that an amount of €100 million would be provided to the programme in the period 2025-2027. This amount will derive from funds decommitted under the same programme and is additional to the amount of up to €0.5 billion (2018 prices) already agreed to be made available again – in line with Article 15(3) of the Financial Regulation – for the period from 2021 to 2027.

With the establishment of the Ukraine Reserve, totalling €17 billion (in current prices), special instruments have increased overall by 81.3 %, from €23.6 billion to €42.8 billion. This amount does not yet include any amount for the EURI instrument, as its mobilisation is subject to the availability of other resources and on the condition that these are not sufficient to cover the NGEU overruns.

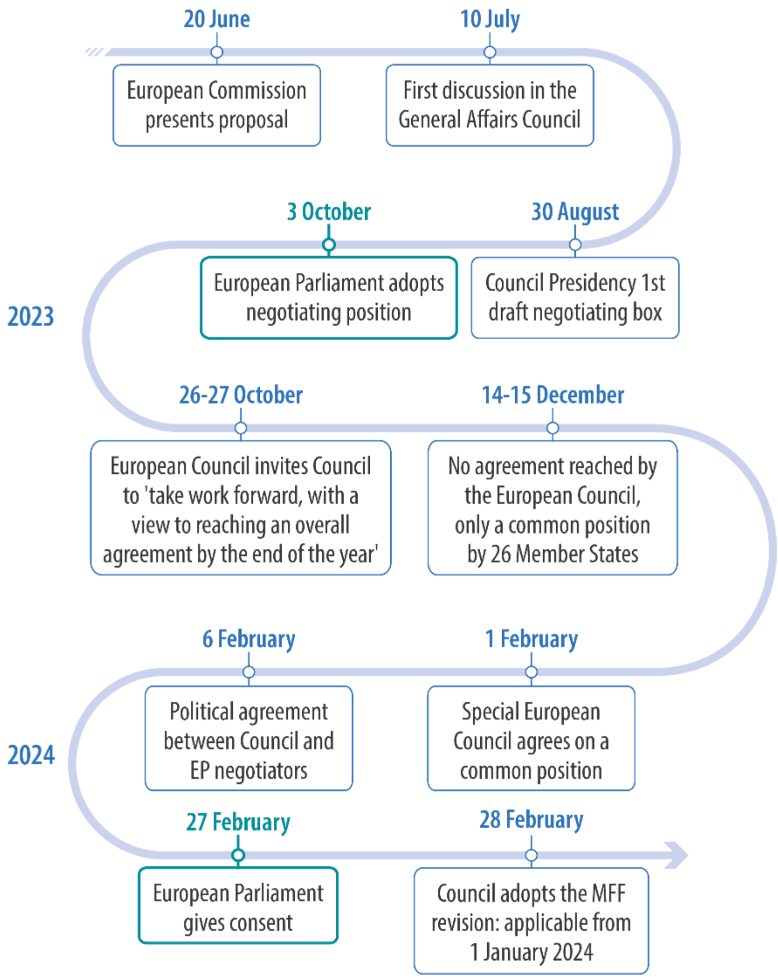
Members of the European Parliament welcomed[64] the first-ever revision of the MFF ceilings, as an acknowledgement by the Council of the shortcomings and tightness of the existing financial framework; the Parliament had repeatedly criticised these shortcomings. Parliament welcomed, in

[64] MEPs welcome EU summit deal on Ukraine and the EU's long-term budget, Press release, European Parliament, February 2024.

particular, the provision of strong medium-term financial support to Ukraine, the additional funds to deal with the migration crisis and the establishment of a special instrument, over and above the MFF ceilings, to finance the overruns of NGEU borrowing costs.

The European Parliament gave its consent[65] to the revision of the MFF on 27 February and enabled the Council to conclude the legislative process on 28 February. The revised MFF Regulation was published on 29 February but is applicable retroactively as from 1 January 2024 (Figure 5). For the budget year 2024, the revision brings additional funds of €5.8 billion[66] in commitments, of which €376 million are for Heading 5 'Security and defence' and €501 million for Heading 6 'Neighbourhood and the world'. The Ukraine reserve for 2024 is mobilised for € 4.8 billion (see Chapter 4).

Figure 5 – Timeline of the negotiations on the revision of the 2021-2027 MFF



Source: EPRS.

[65] European Parliament resolution of 27 February 2024 on the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (consent).

[66] S. Mazur, Draft amending budget No 1/2024: amendments required due to the MFF revision, EPRS, European Parliament, April 2024.

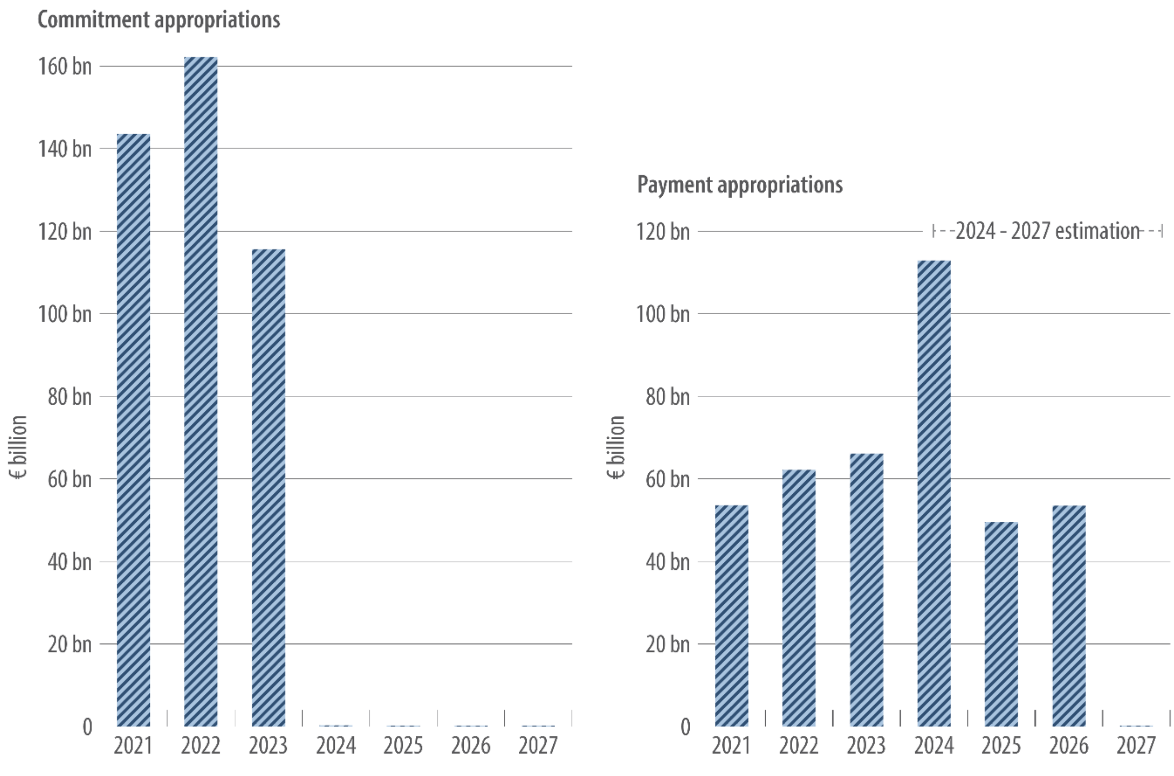
3.2 Specific provisions

3.2.1 NGEU reinforcements to the MFF

When the 2021-2027 MFF was adopted, it was agreed at the same time to establish Next Generation EU (NGEU), a temporary recovery instrument with an overall budget of €750 billion (2018 prices). The MFF was thus supplemented by the grants component from the NGEU funds (Figure 6). Those grants have been introduced into the EU budget as external assigned revenue with the aim of reinforcing certain specific overarching programmes. According to the IIA on budgetary matters, linked to the 2021-2027 MFF, the Commission has to provide detailed information and estimates on assigned revenue under the NGEU recovery instrument when presenting the draft budget.

Resources from NGEU were committed in the EU budget in the period from 2021 to 2023. The largest share of the funds was introduced in the first year of its implementation, 2021, and resulted in more than doubling the overall EU resources. Commitments then decreased, and were phased out in 2023. For the remaining years until the end of the financial period, only marginal amounts are envisaged for technical support. Implementation of the funds is scheduled until the end of 2026, giving the payments a different profile of expenditure and with the last payments to be made by the end of 2026 (Figure 6).

Figure 6 – NGEU top-ups to programmes (in € billion, current prices)



Source: EPRS, based on Annual budget implementation reports and Long-term forecast of future inflows and outflows of the EU budget 2024-2028.

3.2.2 Horizontal priorities and budgetary mainstreaming

In addition to the allocation of resources between headings, the current MFF and NGEU have horizontal priorities involving different headings. Climate mainstreaming is the incorporation of climate considerations and objectives across all major spending programmes.[67] The political agreement reached by the Parliament and Council on the current MFF includes an increase in the climate mainstreaming objective from 20 % of total resources in the past framework to 30 % in the years 2021 to 2027.[68] This strengthened objective applies to both the 2021-2027 MFF and NGEU. In the budget year 2024, their contribution is estimated at 31.79 % (Annex 4).

Parliament succeeded in ensuring that the Interinstitutional Agreement (IIA) on budgetary matters[69] includes provisions to strengthen the climate mainstreaming methodology and introduce corrective measures in the event of insufficient progress towards the 30 % objective. Moreover, Parliament obtained a commitment to the development of methodologies for a biodiversity spending target of 7.5 % in 2024 and 10 % from 2026 (see Chapter 4) and to measure the gender impact of expenditure.

3.2.3 Special instruments

Given the long timespan covered by MFFs, the European Parliament is a strong advocate of flexibility tools to address unforeseen challenges. The MFF 2021-2027 initially included five special instruments providing resources on top of the MFF ceilings. During the MFF negotiations back in 2020, Parliament managed to reinforce these instruments and bring the total amounts available for them up to €21.1 billion (2018 prices) for the 2021-2027 period, by ensuring a €1 billion increase for the Flexibility Instrument and broadening the possibilities for its use.[70] However, since the beginning of the current programming period, the multiple unprecedented and unforeseen challenges faced by the EU have required extensive use to be made of those instruments and have nearly exhausted the available budgetary flexibility. As early as June 2023, almost €12.3 billion had been used up from the special instruments.[71]

As advocated by Parliament, the MFF revision adopted in February 2024 – and applicable retroactively from 1 January 2024 – secured an additional €1.5 billion for the Solidarity and Emergency Aid Reserve and €2 billion for the Flexibility Instrument to boost the EU budget's capacity to confront new challenges. Additionally, as mentioned above in Section 3.1, two new thematic special instruments, with very specific objectives, were created: as of 2024, the Ukraine Reserve, to cover the grant part of the newly established Ukraine Facility; and, as of 2025, the European Union Recovery Instrument, to finance overruns in NGEU borrowing costs.

There are two types of special instrument that offer the possibility of addressing more generally unforeseen circumstances or emerging priorities throughout the duration of the MFF:

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67 A. D'Alfonso, Mainstreaming of climate action in the EU budget: Impact of a political objective, EPRS, European Parliament, 2019.

68 For more details on the share of expenditure related to climate in the annual budgets 2022 and 2023, see Annex 4.

69 Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources.

70 M. Sapala, M. Pari and N. Kresnichka-Nikolchova, EU financing for 2021-2027, EPRS, European Parliament, December 2020.

71 For a detailed presentation of the special instruments mobilised by June 2023, see the Commission staff working document accompanying the Mid-term revision of the multiannual financial framework, Table 5.2.3, SWD(2023)336 final, European Commission, June 2023.

I. Thematic special instruments provide additional flexibility and funds for a specific purpose:

- The **Solidarity and Emergency Aid Reserve** (SEAR), following the revision of the MFF, is split as from 1 January 2024 into two instruments.[72] The **European Solidarity Reserve** provides financial support to Member States or to countries in accession negotiations following a major natural disaster and, since 2021, major public health emergencies. It can be mobilised up to a maximum amount of €1 016 million per year (2018 prices, or €1 144.2 million for 2024). The second instrument is the **Emergency Aid Reserve**, which provides support in case of humanitarian and civilian crises within the Union or in third countries. From 2024, it has an annual allocation of €508 million (2018 prices). For both instruments, it is possible to carry over any unused amount to the next year by making it available to the Flexibility Instrument (see Table 4).
- The **European Globalisation Adjustment Fund for Displaced Workers** (EGF) provides emergency relief and one-off assistance to workers who have lost their jobs in large-scale restructuring events. The revised MFF reduced the available annual amount to €30 million per year (from €186 million – 2018 prices) as from 2024.
- The **Brexit Adjustment Reserve** (BAR) aims to help counter the adverse economic and social consequences in the Member States and sectors affected by the withdrawal of the United Kingdom from the EU. The initial envelope of €5 billion is now reduced to €4 491 million (2018 prices) for the period from 2021 to 2025.[73]
- The **Ukraine Reserve** provides assistance in the form of grants under the Ukraine Facility.[74] The MFF Regulation sets the maximum overall amount of €17 billion in current prices for the period from 2024 to 2027, and the maximum annual amount at €5 billion. Any unused amount in a given year can be used in the following years until 2027. The amounts to be mobilised under the Ukraine Reserve are decided by the budgetary authority as part of the annual budgetary procedure (Article 314 TFEU).
- The **European Union Recovery Instrument** is established with the sole purpose of covering cost overruns related to NGEU. The borrowing cost related to NGEU, compared to initial estimates, have increased considerably as a result of rising interest rates. The shortfall is currently estimated at €15 billion between 2025 and 2027. The MFF Regulation sets the thresholds from 2025 onwards, over which the EURI instrument can be mobilised in a given year (Figure 7).

II. Non-thematic special instruments:

- The **Flexibility Instrument** allows the financing of expenditure above the MFF ceilings for any unforeseen emergency, when this cannot be financed within the ceilings. The annual amount until 2023 was €915 million (2018 prices); from 2024, with the revision, it increases to €1 346 million (2018 prices). Those amounts can be used within the next two years (n+2). To the Flexibility Instrument are added the annual amounts that have not been used up under the European Solidarity Reserve and the Emergency Aid Reserve. Since the start of the current financial period, almost €2.4 billion (current prices) have been mobilised under this instrument.
- The **Single Margin Instrument** allows the use of commitment or payment margins that were left available under the different headings of year n-1, by shifting them between financial years and, in the case of commitment appropriations, between MFF headings as well. However, additional expenditure has to be offset against the

[72] The MFF 2021-2027, as adopted in December 2020, had merged two instruments under the Solidarity and Emergency Aid Reserve: the EU Solidarity Fund (EUSF) and the Emergency Aid Reserve, providing support in case of humanitarian and civilian crises within the Union or in third countries.

[73] €4 886.2 million in current prices, of which €2 997 million have been used in the years 2021 and 2022.

[74] T. Peters, Establishing the Ukraine Facility, EPRS, European Parliament, March 2024.

margins in one or more MFF headings of the current or future financial years. This shifting allows additional expenditure to be compensated and therefore does not increase the overall amounts of the MFF ceilings. The amounts available under the Single Margin Instrument are calculated yearly. In 2024, €733.9 million (in current prices) are available in commitments, while for payments the available amount is €4 billion. The ceilings for payment appropriations are consequently increased by this amount, split into three equal parts for each of the years 2025, 2026 and 2027.

Table 4 – Overview of special instruments (commitments, 2018 prices, except for the Ukraine Reserve in current prices, € million)

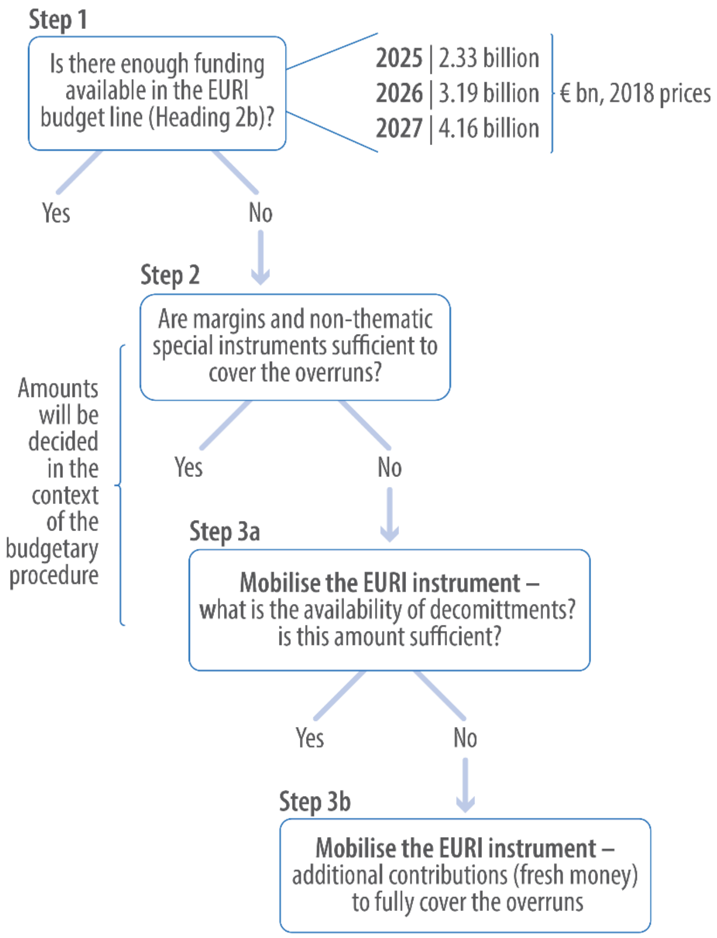
Initial MFF 2021-2027			Revised MFF 2021-2027		
Special instrument	Annual amount	Total amount 2021-2027	Special instrument	Annual amount	Total amount 2021-2027
European Globalisation Adjustment Fund	186	1 302	European Globalisation Adjustment Fund	30	678
Solidarity and Emergency Aid Reserve	1 200	8 400	European Solidarity Reserve Emergency Aid Reserve	1 016 508	3 600 +4 064 +2 032
Brexit Adjustment Reserve	-	5 000	Brexit Adjustment Reserve	-	4 491
			Ukraine Reserve*	5 000	17 000
			European Union Recovery Instrument	'Cascade' mechanism	
Flexibility Instrument	915	6 405	Flexibility Instrument	1 346	8 129
Single Margin Instrument	Calculated yearly on the basis of remaining margins		Single Margin Instrument	Calculated yearly on the basis of remaining margins	

Data sources: Council Regulation 2020/2093 and Council Regulation 2024/765 amending Regulation 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027.
* Current prices

The **Single Margin Instrument** has no pre-fixed amounts, but makes it possible to increase ceilings in a given year by resorting either to unused margins from previous years or to resources to be offset in the same or subsequent years. Its annual use is capped at 0.04 % of EU gross national income (GNI) for commitments, corresponding to €7.1 billion in 2024, and 0.03 % of EU GNI for payments, corresponding to €5.3 billion in 2024. Different rules apply to unused margins from previous years for payments, which are automatically transferred to the following year (see Chapter 4), and for commitments, which may be mobilised by the Parliament and Council in the framework of the budgetary procedure.

Similarly, the **EURI instrument** does not have a pre-fixed annual or total amount set in the MFF Regulation, as it is an uncapped thematic special instrument over and above the ceilings, intended to cover outstanding overruns in NGEU borrowing costs. As of 2025, EURI may be mobilised, in the framework of the budgetary procedure, to finance overruns in NGEU borrowing costs exceeding the amounts set aside in the EURI budget line under Heading 2b of the MFF. It is, however, a last resort, after having sought other financial means following a 'cascade mechanism' (Figure 7).

Figure 7 – 'Cascade' mechanism for the mobilisation of the EURI instrument (2018 prices)



Source: EPRS.

Step 1: First, the amounts that were set aside for NGEU borrowing costs under a specific budget line in Heading 2b, when the initial MFF was agreed, will be used. The total amount envisaged for 2025 to 2027 stands at €9.7 billion (2018 prices).

Step 2: Use of the available margins under the ceilings, funds from existing programmes depending on progress on their implementation, and resources available under the two non-thematic special instruments, the Flexibility Instrument and the Single Margin Instrument. The European Council, in its conclusions, aims to cover about 50 % of the overruns in this way.

Step 3: If necessary, the EURI instrument would be mobilised as a next step, over and above the MFF ceilings. The Parliament and Council, in the framework of the annual budgetary procedure, will decide on its mobilisation. The instrument should first use amounts of decommitments, i.e. amounts that were envisaged for certain programmes but not paid, taking into account the specific provisions on making appropriations available again that exist in several basic acts and excluding external assigned revenue.[75] Instead of being cancelled, they would be brought back into the EU budget to cover the financing of the interest payments on NGEU (Step 3a). The Commission will calculate this amount yearly, in the context of the technical adjustment exercise. If the amount of decommitments is not sufficient, the remaining amount that is necessary to fully finance the borrowing costs would be provided as a last resort by additional contributions from the Member States (Step 3b).

The European Parliament has repeatedly defended[76] decommitments remaining within the EU budget instead of lapsing. It supported extending this principle of reusing them beyond the policy area of research and innovation, for which an exception already applies (Article 15(3) of the Financial Regulation).

3.2.4 EU financing for Ukraine

Russia's full-scale war of aggression against Ukraine has led to an unprecedented wave of political, financial, humanitarian and military support from the EU and its Member States to Ukraine and its people. In terms of budget, the high level of EU financial support to Ukraine from the start of Russia's full-scale war against the country has led to the first-ever mid-term revision of the MFF and the establishment of the Ukraine Facility. This was required to create the necessary capacity in the EU long-term budget for the provision of adequate medium-term financial support to Ukraine.

The EU and its Member States, together as 'Team Europe', have so far committed approximately €98 billion in support for Ukraine and its people, based on the most recent figures provided by the European Commission (see Table 5).[77] This includes financial, humanitarian and military support from the EU to Ukraine as well as help for Ukrainian refugees in the EU. Concerning the €50 billion Ukraine Facility, only the funds that have already been disbursed are counted, which at this stage correspond to €4.5 billion of emergency bridge financing.

Around €52.7 billion of the €98 billion in support for Ukraine and its people is provided from or guaranteed by the EU budget; this has been drawn from nearly all headings of the EU budget. The largest amount, which includes highly concessional macro-financial assistance loans, budget support and humanitarian assistance, comes from Heading 6 'Neighbourhood and the world'. Member States have received support of €17 billion from the EU to help cater for the needs of Ukrainian refugees in the EU. The temporary protection for refugees from Ukraine in the EU is financed from programmes under Heading 2a 'Economic, social and territorial cohesion'. Other support to Ukrainian refugees in the EU comes through programmes under Heading 4 'Migration and border management'. The Member States themselves have supported Ukraine directly with €12.2 billion of financial and humanitarian aid.

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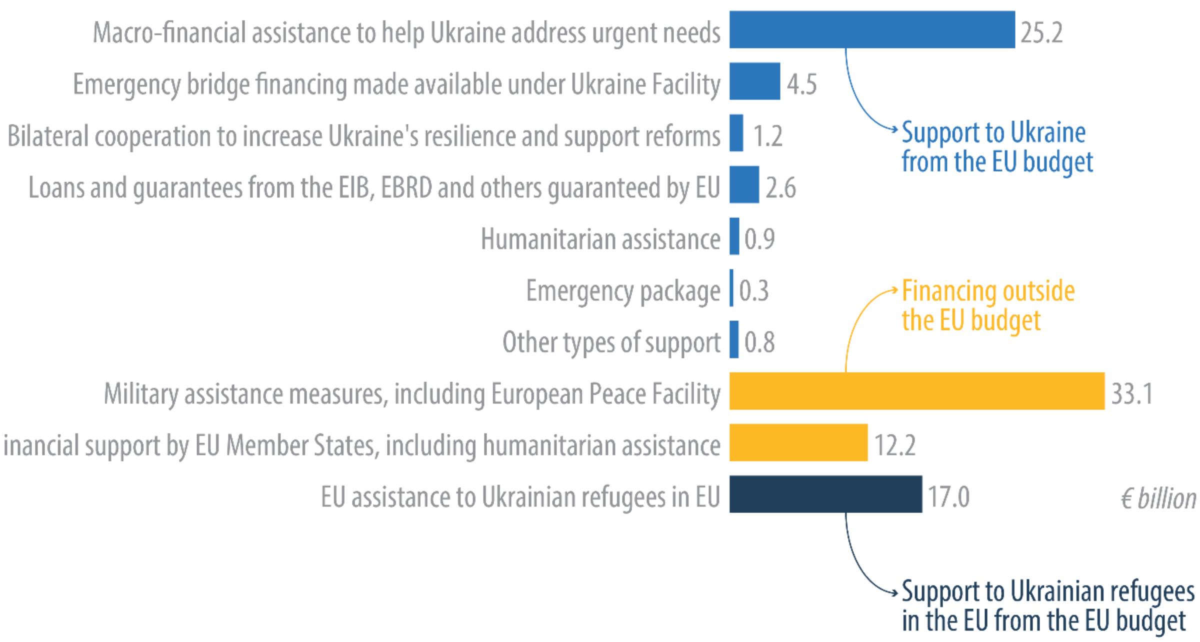
[75] External assigned revenue is defined in Article 21, paragraph 2 of the new Regulation on the EU's financial rules, as the additional financial contributions received from Member States, third countries or generated as a result of certain activities.

[76] European Parliament resolution of 24 November 2021 on the revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework.

[77] European Commission, EU assistance to Ukraine, March 2024.

Table 5 – 'Team Europe' financial, humanitarian and military support for Ukraine in March 2024, partly including the Ukraine Facility



Source: European Commission, EU assistance to Ukraine, March 2024.

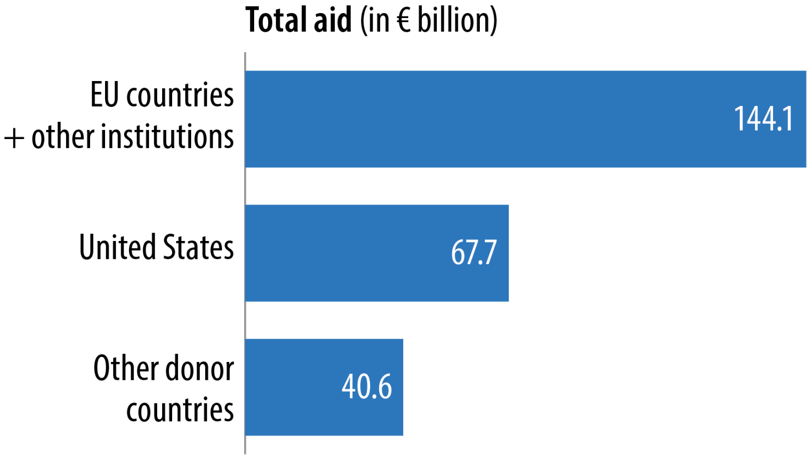
Additionally, 'Team Europe' has supported Ukraine with €33.1 billion in military assistance measures, of which €11.1 billion has been mobilised under the European Peace Facility, financed outside the EU budget. The rest came directly from the Member States. In February 2024, the European Parliament welcomed the proposal of the High Representative of the Union for Foreign Affairs and Security Policy to create a €20 billion assistance fund within the European Peace Facility, dedicated to supporting the Ukrainian armed forces with up to €5 billion per year between 2024 and 2027.[78]

Based on the most recent numbers provided by the Kiel Institute's Ukraine Support Tracker, which already include the full €50 billion Ukraine Facility, 'Team Europe' is by far the largest donor to Ukraine, with donations totalling €144.1 billion, ahead of the US at €67.7 billion, and other donors at €40.6 billion.[79] However, the US's latest US$61 billion package in military aid is not yet included.

[78] European Parliament resolution of 28 February 2024 on the 'Implementation of the common security and defence policy – annual report 2023'. See also B. Bilquin, European Peace Facility: Continued EU military assistance to Ukraine, EPRS, European Parliament, February 2024.

[79] C. Trebesch et al., Ukraine Support Tracker, Kiel Institute, January 2024.

Table 6 – Government support to Ukraine, by country group: Commitments from 24 January 2022 to 15 January 2024, fully including the Ukraine Facility



Source: Trebesch et al., The Ukraine Support Tracker, Kiel Institute, 2024.

On 1 March 2024, Regulation (EU) 2024/792 establishing the Ukraine Facility entered into force. On 18 March 2024, the Ukrainian government adopted a 'Ukraine Plan', which is the first step for regular payments under the Facility.[80] The EU disbursed a first tranche of exceptional bridge financing (Article 25 of Regulation (EU) 2024/792) in the last week of March 2024 to ensure the country's liquidity.[81]

The Ukraine Facility, as adopted by the Parliament and Council, contains three areas of action.

Table 7 – Ukraine Facility: €50 billion for 2024-2027 (commitments, current prices)*

Pillar I (Chapter III)	Pillar II (Chapter IV)	Pillar III (Chapter V)
€5.27 billion in grants **€33 billion in loans**	€6.97 billion in grants	€4.42 billion in grants
Grants and loans to support the Ukrainian state with its recovery, reconstruction and modernisation, and with reforms for accession to the EU. **Disbursement will be based upon fulfilment of the conditions set out in the 'Ukraine Plan' for recovery and reconstruction.**	A Ukraine investment framework for recovery and reconstruction. It will attract public and private investment. This support will be provided in the form of budgetary guarantees, financial instruments or blending operations. Support will enable access to finance in Ukraine's private sector by providing guarantees and blended finance (de-risking).	Assistance and capacity-building programmes – in areas such as reform expertise, central, regional and municipal government, and civil society – to help the Ukrainian government and civil society implement the EU *acquis* and standards. They include borrowing cost subsidies and provisioning.

* The distribution of grants between the three pillars is indicative. The overall amount of grants includes €0.34 billion for technical and administrative assistance in accordance with Article 6(5) of the Regulation.

80 Ministry of Economy of Ukraine, Government approves plan to implement Ukraine Facility programme, 18 March 2024.

81 European Commission, Commission disburses first €4.5 billion of bridge financing to Ukraine under the Ukraine Facility, 20 March 2024.

Implementation of the Facility will be based on a framework agreement to be concluded by the Commission with Ukraine (Article 9 of the Regulation), and will be complemented by financing agreements (Article 10) and loan agreements (Article 22). These agreements are currently being negotiated. On 15 April 2024, the Commission, based on the criteria envisaged in the Regulation, gave a positive assessment of the Ukraine Plan. The Council has one month to approve the relevant implementing decision, enabling a pre-financing payment of up to €1.89 billion, before starting the regular payments linked to the achievement of the reforms and investments envisaged in the Ukraine Plan.

3.2.5 Budgetary considerations for the future

At the same time as it gave its consent to the MFF revision, Parliament adopted a resolution in which it presented its position.[82] In that resolution, Parliament underlined that, even though the MFF revision was a positive development, it regretted the reductions made to certain programmes and that the revision did not address the lack of margins or flexibility, leaving the EU budget under pressure. It considered that humanitarian aid should have been reinforced given the challenging geopolitical situation and given that the split of funds between the Solidarity Reserve, allocated two thirds, and the Emergency Aid Reserve, allocated one third of the funds, did not reflect the needs as they had occurred in previous years. Parliament welcomed the establishment of a structure to provide predictable medium-term support to Ukraine within the EU budget and the fact that a solution to deal with NGEU borrowing costs was found for this MFF.

There are, however, further financing demands that will have to be addressed, either in the remaining years of this financial period or in the next one, starting in 2028. One is the repayment of NGEU, which will affect the next MFF. Another topic with a large impact on the budget is the decision by the European Council to open accession negotiations with Ukraine and Moldova and grant Georgia candidate country status.[83] In the event of EU enlargement, additional funds will be required, particularly for agriculture and regional policy. Several experts have already looked at the financing cost of a decision to enlarge the EU, which will vary depending on the timeline of the phasing-in of these countries to the EU. More recently, at the European Council of 21-22 March 2024,[84] a new budgetary challenge emerged when EU Heads of State or Government agreed that the EU needs to be ready to defend its sovereignty and thus to increase its defence capacity.

The President of the European Council, Charles Michel, ahead of the special European Council of 17-18 April 2024, highlighted the importance of security and defence, as well as enlargement, two priorities that needed to be duly taken into account in the next MFF.[85] The European Council affirmed[86] the urgency to provide air defence and military assistance as well as humanitarian and civil protection assistance to Ukraine. It also underlined the need to strengthen Europe's defence industrial base.

The proposal for the next MFF, starting in 2028, is due to be presented by the Commission before July 2025. On the procedure for negotiations on the MFF, Parliament requests in its resolution that, in future, cooperation and dialogue should start at an earlier stage to facilitate the adoption of the

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82 European Parliament resolution of 27 February 2024 on the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027.

83 European Council Conclusions, 14-15 December 2023.

84 European Council Conclusions, 21-22 March 2024.

85 R. Drachenberg and A. Papunen, Outlook for the special European Council meeting on 17-18 April 2024, EPRS, European Parliament, April 2024.

86 European Council Conclusions, 17-18 April 2024.

new MFF regulation, in accordance with Article 312(5) TFEU and point 15 of the Interinstitutional Agreement on budgetary matters (IIA). Negotiations will be challenging. Enlargement, financing EU defence and support for Ukraine, repayment of NGEU and the green transition are expected to be at the centre of budgetary debates.

3.2.6 Enlargement and the cost for the EU budget

The European Council's decision[87] of December 2023 moved the accession process for Ukraine, Moldova, Bosnia and Herzegovina, Albania, Montenegro, North Macedonia, Serbia, Kosovo and Georgia a step ahead. The prospect of enlargement raises various challenges for both applicant countries and the EU, including the cost of enlargement to the EU budget. A few preliminary studies estimate the likely costs.

The Secretariat of the EU Council[88] distributed an internal document in July 2023 estimating the consequences for the EU budget under the basic assumption that Ukraine and the other candidate countries were to become full member states *without* reforming the budget or the policies of the EU – i.e. a 'status quo' estimate. The study estimates the total cost at €256.8 billion over seven years, which is the duration of one MFF. With nine new Member States, the current EU 2021-27 budget would increase by 21 % to €1.47 trillion, with the bulk of the increase going to Ukraine, particularly under the CAP and cohesion funds. Consequently, it would tip the financial balance, and many existing Member States that are currently net beneficiaries would become net contributors.

Another study of the cost of accession, conducted by Michael Emerson[89] for the International Centre for Defence Studies (ICDS), calculates the costs of Ukraine's potential membership, and estimates them to be €18.9 billion per annum – versus the €36.7 billion annually in the Council analysis. In total, the cost would be €132.3 billion over seven years. A study by the Jacques Delors Institute estimated[90] that the accession of Ukraine, Moldova and the six Western Balkan countries would lead to total additional spending for the EU budget of approximately €19 billion per annum, i.e. approximately €133 billion over a seven-year period. Finally, a study from the Brussels-based think tank Bruegel estimates[91] the net cost of Ukraine's EU membership for the EU-27 would amount to €137 billion in 2021-2027 in their baseline scenario – about €19.5 billion per year.

The lower costs estimated in the reports from ICDS, the Jacques Delors Institute and Bruegel in contrast to the higher estimates of the Council Secretariat are primarily the result of assuming the introduction of transitional arrangements and maximum caps on national allocations similar to the ones introduced during the 2004 enlargement. At the time, new Member States such as Poland received only 40 % of the level of direct payments allocated to the existing Member States under the CAP. In the case of Ukraine's membership, this type of transition mechanism could be applied again, and in other areas as well. In these latest studies, the authors propose to introduce spending caps on national allocations. According to the Jacques Delors Institute, no current Member State

[87] On 14 and 15 December 2023, the European Council adopted conclusions on Ukraine, enlargement and reform, the multiannual financial framework 2021-2027, and other related issues.

[88] H. Foy, EU estimates Ukraine entitled to €186bn after accession, Financial Times, 4 October 2023.

[89] M. Emerson, The Potential Impact of Ukrainian Accession on the EU's Budget – and the Importance of Control Valves, September 2023.

[90] J. Lindner, T. Nguyen and R. Hansum, What does it cost? Financial implications of the next enlargement, December 2023.

[91] Z. Darvas, M. Dabrowski, H. Grabbe, L. Moffat, A. Sapir and G. Zachmann, The impact on the European Union of Ukraine's potential future accession, April 2024.

would tip from being a net recipient to a net contributor. According to Bruegel, most net payers would need to contribute about 0.1 % more of their GDP to the EU budget in their baseline scenario.

3.2.7 Financing EU defence

Article 41 of the Treaty on European Union (TEU) regulates the financing of the Union's common foreign and security policy (CFSP), which includes the Union's defence policy.[92] Expenditure for the CFSP is, in principle, charged to the Union budget. However, expenditure 'arising from operations having military or defence implications' is expressly excluded from financing from the Union budget, in accordance with Article 41(2) TEU. After the start of Russia's full-scale war of aggression against Ukraine in February 2022, a debate on financing military assistance to Ukraine inside and outside the EU budget has developed in the EU. However, the wording of Article 41(2) TEU, which prohibits financing operations with military or defence implications from the EU budget is quite broad. Therefore, it is generally understood that the financing ban includes arms deliveries to third countries.[93]

However, the Treaties only prohibit the *financing* of operations with military or defence implications from the EU budget, and do not in any way prohibit EU activities in that field. Such activities just have to be financed by the Member States. Article 41(2) TEU even provides a default key, gross national product, for financing such activities; if the Member States decide so unanimously, they can deviate from that key. Based on those provisions, in March 2021 the Member States set up an off-budget instrument, the European Peace Facility, to finance joint military and defence activities. The Facility replaced and enlarged the former financial instruments in this area, namely the Athena Mechanism and the African Peace Facility. When created, the European Peace Facility had an initial financial ceiling of €5.69 billion (current prices) for the period from 2021 to 2027. Since the start of Russia's war of aggression against Ukraine, the Council has successively increased the financial ceiling of the Facility to over €17 billion.

Furthermore, the EU has started to use a variety of budgetary instruments to support defence research, the EU defence industry and military mobility in the EU through existing legal bases and budget lines.[94] In the 2021-2027 MFF, a specific budget heading was established on 'Security and defence'. The EU uses a European Defence Fund[95] to finance research activities in the area of defence, and it adopted a regulation to reinforce the EU defence industry through common procurement (EDIRPA)[96] and a regulation to support ammunition production in the EU[97]. In addition, the EU uses the Connecting Europe Facility[98] to finance military mobility. These developments show a fundamental policy reversal in the field of EU defence financing and the EU budget.

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92 For more information, see A. Cepparulo and P. Pasimeni, Defence Spending in the EU, Discussion Paper 199, European Commission, April 2024.

93 J. von Achenbach, Too Little Politics in EU Defence Policy – The EU Arms Supplies to Ukraine from the Perspective of Budgetary and Constitutional Law, Verfassungsblog, 2 March 2022.

94 S. Rodrigues, Financing European Defence: The End of Budgetary Taboos, European Papers, Vol. 8, 2023, No 3, European Forum, Insight of 17 January 2024, pp. 1155-1177.

95 Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund (OJ L 170, 12.5.2021, p. 149).

96 Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418).

97 Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7).

98 Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility (OJ L 249, 14.7.2021, p. 38).

More recently, the Commission presented a communication[99] providing an overview of the needs to enhance the EU's defence industry. It opens the reflection on different financing options to ensure the readiness of the EU's defence industry, and suggests that the post-2027 MFF should envisage ambitious funding for defence.

3.2.8 Repayment of NGEU

The repayment of NGEU will last well beyond the current MFF. Therefore, the issue of adequate funding to finance the repayment will need to be revisited in the next financial period, starting in 2028. All liabilities related to the repayment of NGEU borrowing – both the principal and the interest on NGEU grants – will have to be repaid by the end of 2058 at the latest. The cost depends on the evolution of interest rates and is very uncertain. A recent estimate projects the total interest costs to 2058 at €222 billion and the total NGEU costs at between €582 billion and €715 billion.[100]

As of 2028, repayment of NGEU could put at risk financing for other policy areas, particularly without new own resources. To respond to the EU's borrowing needs, two major options are either additional national contributions or a decrease in EU expenditure.[101] Parliament, in its recent resolution on the revision of the MFF, recalled the Joint Declaration of December 2020,[102] in which Parliament, the Council and the Commission agreed that NGEU financing costs 'shall aim at not reducing programmes and funds' which should be respected during the annual budgetary negotiations. Parliament regretted that there had been no progress to date on the introduction of new own resources, as agreed in the legally binding roadmap incorporated in the IIA.[103] These resources are intended to cover at least the repayment of NGEU borrowing costs and, beyond the current MFF, repayment of the principal.

[99] Joint communication on 'A new European Defence Industrial Strategy: achieving EU readiness through a responsive and resilient European Defence Industry', JOIN(2024)10 final, March 2024.

[100] An estimate of the European Union's long-term borrowing cost bill, Policy Department for Budgetary Affairs, European Parliament, 2023.

[101] For more on EU revenue and borrowing, see I. Begg, J. Lecacheux et al., Options for a stronger and more agile EU budget, Policy Department for Budgetary Affairs, European Parliament, October 2023.

[102] Annex 2, Joint declaration by the European Parliament, Council and Commission on the treatment of NGEU interest costs and repayments in the 2021-2027 MFF, European Parliament resolution of 16 December 2020 on the draft Council regulation laying down the multiannual financial framework for the years 2021 to 2027.

[103] The interinstitutional agreement (IIA) on budgetary matters, Annex II, Part D envisages that 'The repayment of the principal of such funds to be used for expenditure under the European Union Recovery Instrument and the related interest due will have to be financed by the general budget of the Union, including by sufficient proceeds from new own resources introduced after 2021.'

4 EU budget for 2024

The 2024 European Union budget stands at:

- €195.2 billion in commitments (+4.7 % over 2023), leaving a margin of €360.1 million beneath the MFF ceilings;
- €146.8 billion in payments (-11.2 % over 2023), leaving a margin of almost €31 billion.

The 2024 budget was prepared and negotiated during Russia's ongoing war of aggression against Ukraine, and while the EU had to deal with the economic and humanitarian fallout of that war.

During the November 2023 conciliation, the European Parliament obtained reinforcements of over €660 million compared to the European Commission's draft budget on its main political priority programmes. In its negotiating position, Parliament underlined that the new geopolitical and economic context, coupled with the worsening climate and biodiversity crisis and the resulting unprecedented extreme weather events and natural disasters, necessitated additional EU funding beyond the MFF ceilings agreed in 2020.

Parliament insisted on the revision of the MFF, but the European Council failed to find an agreement before the end of 2023. It was only on 1 February 2024 that EU leaders reached a much-needed deal on the MFF revision. This opened the way for the final negotiations with Parliament, which gave its consent to the amended MFF Regulation on 27 February.

Following the revision of the EU's long-term budget, the Commission proposed the corresponding amendments to the 2024 budget. Those amendments increase expenditure under Heading 5 on 'Security and defence and Heading 6 on 'Neighbourhood and the world' and mobilise the Ukraine Reserve for €4.8 billion in commitment appropriations. The amended 2024 budget was adopted in April 2024.

4.1 Overview of the amended 2024 budget

The 2021-2027 multiannual financial framework (MFF) is divided into seven headings and two subheadings. Programmes and funds under these headings are grouped into 15 clusters, corresponding to different EU policy areas. The policy clusters are reflected in the annual budget headings.

The preparation of the European Union general budget for 2024 took place in the context of Russia's war of aggression against Ukraine, following on from the COVID-19 pandemic, and their substantial economic and social consequences, pushing up inflation, generating energy insecurity and resulting in a cost of living crisis. In its negotiating position, the European Parliament underlined that the new geopolitical and economic context, coupled with the worsening climate and biodiversity situation and the resulting unprecedented extreme weather events and natural disasters, necessitated additional EU funding.[104] Therefore, Parliament aligned its 2024 EU budget reading with its position on the mid-term revision of the 2021-2027 MFF, proposed by the European Commission on 20 June 2023.[105] Parliament insisted on the revision of the MFF, but the European Council failed to find an agreement before the end of 2023 (see Chapter 3). Finally, at the Special

[104] European Parliament resolution of 18 October 2023 on the Council position on the draft general budget of the European Union for the financial year 2024 (11565/2023 – C9-0336/2023 – 2023/0264(BUD)).

[105] For more on Parliament's position on the MFF revision, see: Revision of the EU's long-term budget for 2021 to 2027 – Securing sufficient resources for the EU, EPRS, European Parliament, 2023.

European Council meeting on 1 February 2024, EU leaders reached an agreement on the MFF revision. This opened the way for the final negotiations with Parliament, which gave its consent to the amended MFF Regulation on 27 February. The amended MFF Regulation entered into force retroactively as of 1 January 2024.

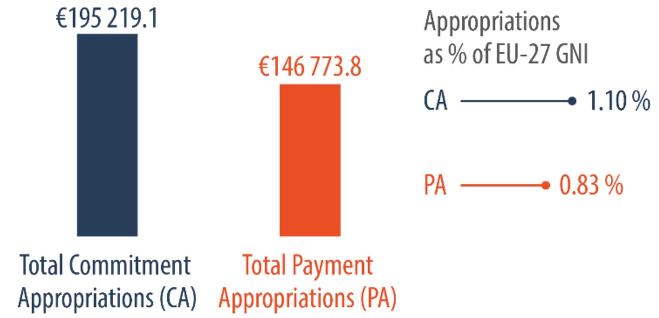
As far as the annual budget for 2024 is concerned, and in line with the November 2023 conciliation agreement, the commitment appropriations were adopted at €189.3 billion (+1.6 % compared with the 2023 budget, including amending budgets (ABs) 1-4), leaving a margin for 2024 of €360 million beneath the MFF ceilings. The overall level of payment appropriations was set at €142.6 billion (-13.7 % compared with the 2023 budget, including ABs 1-4), leaving a margin of €31 billion.

Following the revision of the MFF, the Commission had to update the 2024 EU budget accordingly and retroactively as of 1 January 2024. Therefore, on 29 February, the Commission proposed the Draft Amending Budget No 1 for the year 2024 (DAB 1/2024).[106] Overall, the DAB 1/2024 aimed to increase the 2024 EU budget by €5.83 billion in commitment appropriations and by €4.14 billion in payment appropriations. The MFF headings that were reinforced in commitment appropriations were Heading 5 'Security and defence' (by €376 million) and Heading 6 'Neighbourhood and the world' (by €501 million). Thematic special instruments were given an additional €4.96 billion in commitments and €4.1 billion in payments. In particular, the DAB1/2024 integrated the Ukraine Facility, and mobilised the new special instrument, the Ukraine Reserve, with €4.8 billion of commitment appropriations and €3.8 billion of payment appropriations.

With the inclusion of DAB1/2024, the 2024 EU budget totals €195.2 billion in commitments, leaving a margin of €360.1 million beneath the MFF ceilings for 2024. Payments total €146.8 billion, leaving a margin of almost €31 billion. Furthermore, the Next Generation EU (NGEU) recovery instrument will continue to reinforce the EU budget with related payments estimated to amount to an additional €112.85 billion in 2024.

[106] Draft amending budget No 1 to the general budget 2024, Amendments to the 2024 budget required due to the MFF revision, COM(2024)80 final, European Commission, 29 February 2024.

Figure 8 – 2024 budget with DAB 1/2024 (€ million, current prices)



	CA	PA
1. Single market, innovation and digital	21 493.4	20 828.0
2. Cohesion, resilience and values	74 560.7	33 716.0
2.a Economic, social and territorial cohesion	64 665.2	24 155.7
2.b Resilience and values	9 895.5	9 560.3
3. Natural resources and environment	57 338.6	54 151.4
4. Migration and border management	3 892.7	3 249.0
5. Security and defence	2 697.1	2 035.4
6. Neighbourhood and the world	16 731.0	15 315.0
7. European public administration	11 988.0	11 988.0
Thematic special instruments	6 517.6	5 491.0

Data source: European Commission, Draft amending budget 1/2024, see annexes.

The 2024 budget is the third budget to integrate additional allocations to the EU's 10 flagship programmes through new mechanisms defended by the European Parliament, and was a negotiating success for Parliament. The initial agreement in the context of the initial 2021-2027 MFF negotiations, envisaged a reinforcement of €15 billion (in 2018 prices) in total,[107] of which €11 billion went to increasing the MFF ceilings (Box 1). For 2024, the additional funds account for €1.69 billion (Article 5 of the MFF Regulation; see Table 8).

[107] The EU flagship programmes supported by the European Parliament in the MFF negotiations cover the areas of climate change, research, energy, digital and transport interconnectivity, health, youth, culture, border management and external action. See the European Parliament resolution of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020. For details on the allocation of the additional €15 billion, see M. Sapała, M. Pari and N. Kresnichka-Nikolchova, EU financing for 2021-2027, EPRS, European Parliament, 2020.

Table 8 – Reinforcements in the 2024 budget from Article 5 of the MFF Regulation (commitment appropriations, in € million in current prices)

EU programme / budget line	Draft budget 2024	Increase linked to Article 5	% increase
Heading 1 – Single market, innovation and digital	21 431.4	614	2.86 %
Horizon Europe	12 812.1	460.5	3.6 %
InvestEU Fund	347.5	153.5	44.2 %
Heading 2 – Cohesion, resilience and values	74 979.4	922.0	1.2 %
EU4Health	753.8	445.7	59.1 %
Erasmus+	3 736.1	261.3	7.0 %
Creative Europe	331.8	92.1	27.8 %
Citizens, equality, rights and values	215.0	122.9	57,2 %
Heading 4 – Migration and border management	3 896.7	154	4.0 %
Integrated Border Management Fund (IBMF) – Border Management and Visa Instrument (BMVI)	1 144.5	154.0	13.0 %
TOTAL	19 340.8	1 690	8.7 %

Data source: Draft general budget for 2024, European Commission, July 2023.

Box 1 – Reinforcements to programmes

The mechanism, based on Article 5 of the MFF Regulation (Council Regulation (EU, Euratom) 2020/2093) is linked to the proceeds from competition fines collected by the EU. It is implemented in the annual budgets for the years 2022 to 2027, by increasing the MFF ceilings on a yearly basis.

After the revision of the MFF, the amount was revised to €10.155 billion. The programmes concerned are: Horizon Europe, the InvestEU Fund, EU4Health, Erasmus+, Creative Europe, Rights and Values, and the Integrated Border Management Fund.

In the 2024 budget, additional funds through the Article 5 mechanism account for over €1.69 billion and correspond, overall, to an 8.7 % increase in those programmes' financial envelopes. For individual programmes, the increases vary from +3.6 % for Horizon Europe to +59 % for EU4Health. The citizens, equality, rights and values programme receives an essential reinforcement of +57.2 %, as does Creative Europe (+27.8 %). Under Heading 4 'Migration and border management', the Border Management and Visa Instrument (BMVI) is allocated an additional €154 million (+13 %).

Together, the EU long-term budget and the EU's landmark NGEU recovery instrument (see Chapters 3 and 5) have a key role to play in achieving the EU's objectives. As a temporary recovery instrument, NGEU commitments were only envisaged for the years 2021 to 2023, but payments continue until 2026 (inclusive). Currently, implementation of NGEU is fully underway.

In the 2024 budget year, the payment needs for MFF-financed programmes are relatively low. This is mainly because, in 2024, the 2014-2020 cohesion policy programmes are being closed and receive only interim payments and final payments, while the 2021-2027 programmes are still gaining speed.

Conversely, NGEU payments are expected to be significant, reflecting the fact that the recovery instrument has entered the second half of its lifecycle.

The final 2024 budget was approved during Parliament's November plenary session and was declared definitively adopted by the President of the European Parliament, Roberta Metsola, on 22 November 2023.[108]

With regard to the EU's political priorities, when it comes to the green transition at least 30 % of the EU budget and NGEU expenditure during the 2021-2027 period must support climate objectives.[109] This target, built into various headings, is being monitored.[110] The EU budget, together with NGEU programmes, in particular the Recovery and Resilience Facility (RRF) and the additional financing for the Just Transition Fund, are set to play an important role in achieving the green transition: 31.8 % of the 2024 budget and NGEU are set to contribute to climate-related EU expenditure (for details and comparisons to 2023, see Annex 4).

Another key objective for the 2021-2027 MFF is protecting biodiversity, as outlined in the European Green Deal and the European Green Deal Investment Plan. For the 2021-2027 period, point 16(e) of the interinstitutional agreement (IIA) sets out that biodiversity should be mainstreamed in EU programmes, with the ambition of reaching annual spending levels of 7.5 % in 2024, increasing to 10 % in 2026 and in 2027, while considering the existing overlaps between climate and biodiversity goals. The 2024 draft budget sets the share of biodiversity-relevant spending in the EU budget at 7.9%.[111]

As provided for in the regulation establishing NGEU,[112] the amount to be used for expenditure constitutes external assigned revenue (see Box 1), and is counted over and above the MFF ceilings. The commitments under NGEU had to be made before the end of 2023, while payments can be made until the end of 2026. In the 2024 draft budget, the Commission has entered the non-repayable part of NGEU as external assigned revenue totalling €39 million in commitments and €112.85 billion in payments (see Chapter 5). Specific legal commitments in relation to the given programme are indicated in the budget remarks for the relevant budget lines.[113]

Parliament's position and 2024 budget negotiations

This fourth annual budget under the 2021-2027 MFF for the EU of 27 Member States, including the DAB1/2024, was set at €195.2 billion[114] in commitments (1.1 % of EU-27 gross national income (GNI)) and at €146.8 billion in payments (0.83 % of EU-27 GNI), including special instruments. In absolute numbers, compared with the 2023 budget,[115] this represents an increase of 4.69 % in commitments

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[108] The adopted budget for 2024 was published in the Official Journal of the EU on 22 February 2024. For details on the procedure and related documents, see: 2024 draft general budget: all sections, Legislative Observatory (OEIL), European Parliament; MEPs adopt EU budget 2024: focus on research, youth and external challenges, Press release, European Parliament, 22 November 2023.

[109] See Point 16 (d) of the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources.

[110] A. D'Alfonso, Mainstreaming of climate action in the EU budget: Impact of a political objective, EPRS, European Parliament, 2019.

[111] Draft general budget for 2024, European Commission, July 2023.

[112] Council Regulation (EU) 2020/2094 of 14 December 2020, Article 3.

[113] Draft general budget for 2024, European Commission, July 2023.

[114] Unless otherwise stated, all amounts are expressed in current prices.

[115] The 2023 budget includes amending budgets (ABs) 1 to 4.

and a decrease of 11.16 % in payments (Figure 9). The margin below the 2021-2027 MFF ceilings available for unexpected needs in 2024 amounts to €360 million in commitment appropriations and almost €31 billion in payment appropriations (for detailed figures, see Annex 3).

Figure 9 – Total commitment and payment appropriations, EU budgets for 2023 and 2024 (in € billion)

Data source: European Commission, Draft amending budget 1/2024, see annexes.

While it is the European Commission's responsibility to propose a draft budget for the year to come, the two arms of the EU budgetary authority, Parliament and the Council, play their part in the run-up to its presentation by adopting their respective guidelines. Parliament's Committee on Budgets adopted its report on guidelines on 4 April 2023, outlining Parliament's goals for the EU's 2024 budget, but the report failed to pass in Parliament's plenary due to the lack of agreement on the use of EU funding for the construction of fences or walls at the EU's external borders.

Parliament adopted its resolution on the draft 2024 budget on 18 October 2023.[116] It stressed that Russia's war of aggression against Ukraine, following on from the COVID-19 pandemic, had substantial economic and social consequences, pushing up inflation, generating energy insecurity and energy poverty and resulting in a cost of living crisis, especially for the most vulnerable. The resolution underlined that the new geopolitical and economic context, coupled with the worsening climate and biodiversity crisis and the resulting unprecedented extreme weather events and natural disasters, necessitate additional EU funding. It proposed a considerable increase in commitments in the 2024 budget for Parliament's priorities and increased payment appropriations in accordance with its changes to commitments.

Parliament voted for 24 specific increases, including for Horizon Europe, CEF Transport, Erasmus+, LIFE, young farmers, Creative Europe and EU4Health. It restored appropriations to DB 2024 levels on all lines cut by the Council. Parliament proposed to make available a further €500 million in commitments for research, by reusing unspent commitments in line with Article 15(3) of the Financial Regulation. Importantly, Parliament aligned its reading of the 2024 budget with its call for a revision of the 2021-2027 MFF.[117] In that regard, Parliament integrated the Strategic Technologies

116 European Parliament resolution of 18 October 2023 on the Council position on the draft general budget of the EU for the financial year 2024.

117 European Parliament resolution of 3 October 2023 on the proposal for a mid-term revision of the multiannual financial framework 2021-2027.

for Europe Platform (STEP) proposal in its position and strengthened the funding for humanitarian aid, migration policy and for the EU's southern and eastern neighbourhood policy. Parliament insisted that NGEU repayment costs should be placed outside the MFF ceilings, providing a structural solution for NGEU to be in place by 1 January 2024. Parliament welcomed the Ukraine Facility and the mobilisation of the Ukraine Reserve.

In total, Parliament's position increased the Commission's proposal by over €7.6 billion in commitments, bringing it to almost €197 billion. For payments, Parliament set the level at €149 billion.

Parliament's president, in agreement with the Council's president, convened the Conciliation Committee, which then had until 13 November 2023 to agree on the 2024 EU budget. In the meantime, at the European Council meeting of 26-27 October 2023, EU leaders failed to agree on a revision of the MFF.

The Conciliation Committee reached a provisional agreement on 11 November. The DAB 4/2023 amendments were included in the conciliation agreement as originally proposed by the Commission. The Council endorsed the joint text on 20 November 2023, confirming the provisional agreement reached during the conciliation. Parliament adopted the agreement in its plenary session on 22 November 2023 and Parliament President Roberta Metsola declared the Union's 2024 budget definitively adopted the same day.[118] The 2024 EU budget entered into force on 1 January 2024.

The 2024 EU budget included an overall net increase of almost €112 million above the draft budget, including amending letter (AL) 1/2024. On its main political priority programmes, Parliament obtained reinforcements of over €660 million compared to the Commission's draft budget. Particularly noteworthy is the increase for humanitarian aid (€250 million); the EU's southern and eastern neighbourhood under the Neighbourhood, Development and International Cooperation Instrument (NDICI – Global Europe) (€150 million); the Horizon Europe research programme (€85 million, including €25 million for health research); Erasmus+ (€60 million, in particular for students from disadvantaged backgrounds); the Connecting Europe Facility (€30 million); support for young farmers (€20 million); and the LIFE programme (€20 million).

Other programmes and initiatives that Parliament considers a priority have also been reinforced. These include the EU Civil Protection Mechanism (UCPM); military mobility; the Asylum, Migration and Integration Fund; the Border Management and Visa Instrument; the Rights and Values programme; the European Public Prosecutor's Office (EPPO); and the Creative Europe programme. The Flexibility Instrument for 2024 mobilised more than €1.63 billion (€1.29 billion for Sub-heading 2b 'Resilience and values'; €317.2 million for Heading 5 'Security and defence'; and €28.9 million for Heading 6 'Neighbourhood and the world'). Moreover, the Single Margin Instrument was mobilised for €586.1 million in commitment appropriations to provide €371.1 million for Heading 6 'Neighbourhood and the world', and €215 million for Heading 7 'European public administration'.

[118] European Parliament resolution of 22 November 2023 on the joint text on the draft general budget of the European Union for the financial year 2024 approved by the Conciliation Committee under the budgetary procedure.

Figure 10 – 2024 EU budget (commitments, € billion, current prices)

Note: AL: Amending Letter.
Data source: European Commission, Draft amending budget 1/2024, see annexes.

Box 2 – 2024 budgetary procedure milestones

7 June 2023: The European Commission tables the draft 2024 EU budget.

5 September 2023: The Council adopts its position on the draft 2023 EU budget.

9 October 2023: The Commission tables modifications to its 2024 EU budget proposal by means of Amending Letter 1 (AL 1/2024).

18 October 2023: Parliament amends the Council's position on the draft 2023 EU budget.

24 October to 13 November 2023: Conciliation Committee.

11 November 2023: The Conciliation Committee reaches a common understanding on the 2024 EU budget and signs a joint text.

20 November 2023: The Council endorses the joint text on the 2024 EU budget.

22 November 2023: Parliament approves the joint text. The same day, the 2024 EU budget is signed into law by European Parliament President Roberta Metsola.

1 February 2024: The European Council agrees on the MFF revision.

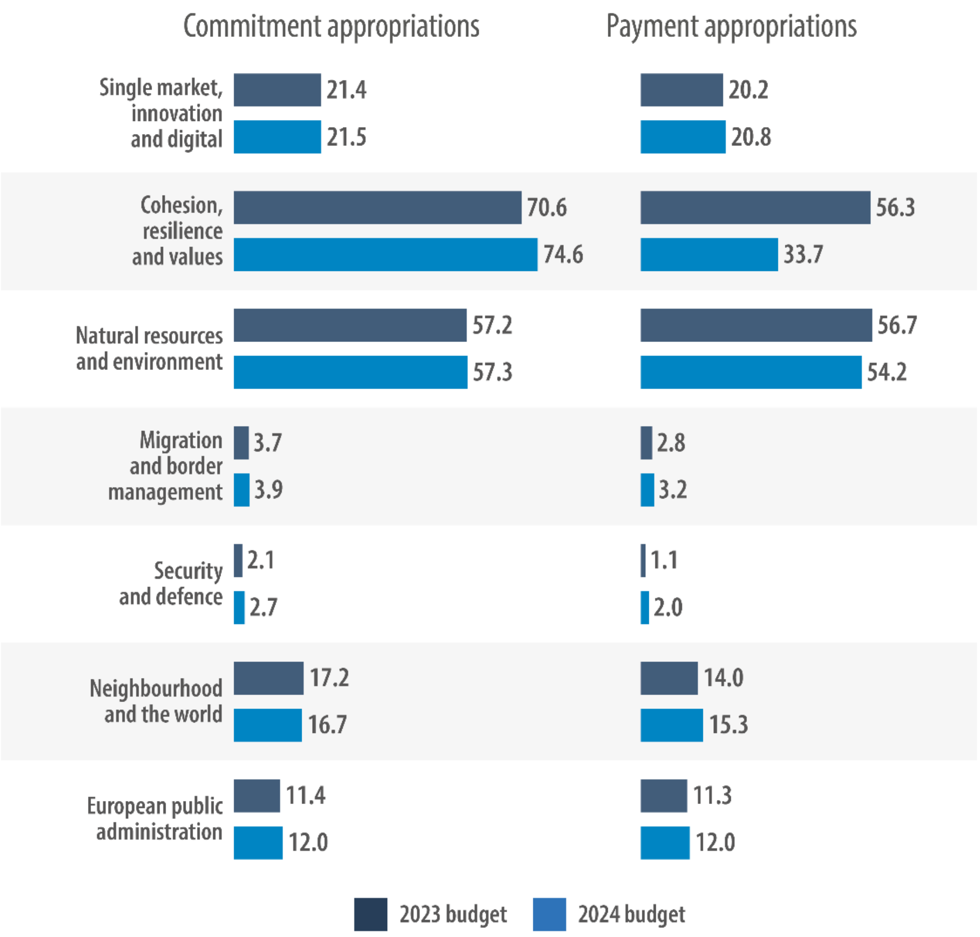
27 February 2024: Parliament gives its consent to the amended MFF Regulation.

29 February 2024: The Commission publishes the draft amending budget 1 to the 2024 EU budget.

The 2024 budget included a comprehensive package of 46 pilot projects and preparatory actions (PP/PA),[119] of which 36 are new, as prepared by Parliament, for a total of €107.4 million in commitments. Commitments for 2024 are 4.7 % higher than in 2023, while payments in 2024 are 11.2 % lower than in 2023 (see Figure 11).

[119] S. Mazur, Pilot projects and preparatory actions in the annual EU budgetary procedure, EPRS, European Parliament, July 2019.

Figure 11 – Comparison of EU budgets in 2023 and 2024 by MFF heading (commitment and payment appropriations, € billion)



Data source: European Commission, Draft amending budget 1/2024, see annexes.

The agreement on the 2024 EU budget included four statements.[120] As in previous years, in the first declaration the two arms of the budgetary authority request the Commission to closely monitor the implementation of the programmes, in particular spending under Sub-heading 2a 'Economic, social and territorial cohesion', and spending on rural development under Heading 3 'Natural resources and environment'. In case the payment appropriations in the 2024 budget are insufficient to cover needs, the Commission should present an appropriate solution, including a draft amending budget, on which the budgetary authority should decide without undue delay. This should also apply if the payments are higher than actual needs.

In another statement, the European Parliament, the Council and the Commission took note of the ongoing discussions on the proposed revision of the 2021-2027 MFF and invited the Commission to propose a draft amending budget as soon as the revision of the MFF Regulation has been agreed, with a view to aligning the 2024 budget to a revised MFF Regulation.

The Commission unilaterally undertook to propose the appropriate budgetary measures for freeing the resources allocated for the MFA+ interest rate subsidy (Budget Article 14 07 01) envisaged in the

[120] See European Parliament legislative resolution of 22 November 2023 on the joint text on the draft general budget of the European Union for the financial year 2024 approved by the Conciliation Committee under the budgetary procedure.

2024 EU budget, if an alternative financing solution is found in due time. Parliament took note of the Commission's statement and recalled that, under Regulation (EU) 2022/2463, the interest rate subsidy in relation to MFA+ for Ukraine should be financed from voluntary contributions from the Member States and that the EU budget may contribute, subject to available resources. In that context, Parliament stresses that the provisional entry of appropriations on budget line 14 07 01 is a one-off exception and does not constitute a precedent for future budgetary procedures.

5 Next Generation EU

Launched in 2021, Next Generation EU (NGEU) is a temporary instrument worth €806.9 billion geared towards promoting the post-pandemic recovery and addressing structural challenges such as the green and digital transitions. Its main investment tool is the Recovery and Resilience Facility (RRF), which provides Member States with grants and loans to finance ambitious measures, including reforms, enshrined in their National Recovery and Resilience Plans (NRRPs). Following the 2023 revision of the NRRPs, 23 countries added a REPowerEU chapter to their recovery plans to secure energy independence from Russian fossil fuels and speed up the green transition towards renewables and greater energy efficiency. To cover the cost of 27 recovery plans, €648 billion of EU resources has been allocated to the Member States. The implementation of the RRF is well underway, but with differences emerging across the EU. By 11 April 2024, Member States had received more than €225 billion of RRF resources overall, both in pre-financing and in payments based on the achievement of around 17 % of all milestones and targets included in the plans. This means that more than 80 % of the plans' objectives must be met in less than three years, since the RRF will come to an end in 2026. To finance NGEU, the EU has become a major player on the capital markets, where the European Commission issues EU bonds (30 % of which are green bonds) and short-term bills. The repayment will last until 2058 and, to facilitate this, the Commission has proposed new sources of revenue (own resources) for the EU budget that the European Parliament supports, but which are pending approval in the Council. In light of the sizeable level of extraordinary resources provided by NGEU and their strategic nature, the European Parliament's involvement is particularly important for ensuring transparency and democratic scrutiny of their use, not least through the RRF.

5.1 Main features of NGEU and RRF

With a financial envelope of up to € 806.9 billion, Next Generation EU (NGEU) significantly reinforces the resources channelled through EU budgetary instruments over the years 2021 to 2026, jointly representing the largest stimulus package ever financed through the EU budget. Its establishment as a response to the socio-economic crisis triggered by the pandemic was the result of a growing consensus on the need to complement European Central Bank (ECB) and national measures with a coordinated common fiscal response.[121]

NGEU and its main investment tool, the Recovery and Resilience Facility (RRF), represent major innovations in EU finances in various respects, including the following:

- NGEU financing is not based on own resources, but on an unprecedented level of EU borrowing (see Section 5.3);
- NGEU is a sizeable crisis-response tool, which has enabled the EU budget to play a macroeconomic stabilisation function for the first time;
- resources are allocated to Member States taking into account the impact of the pandemic and not on the basis of traditional distribution keys;
- the RRF is closely linked to EU economic governance, since it finances national recovery and resilience plans (NRRPs) that must address at least a significant subset of

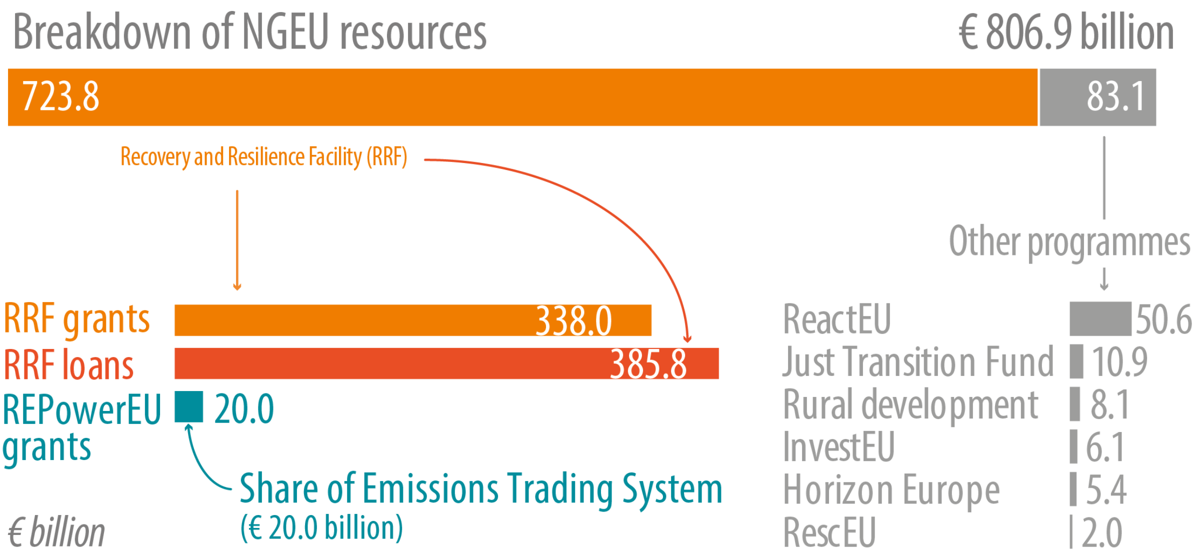
[121] A. D'Alfonso, Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic, EPRS, European Parliament, 2020.

the country-specific recommendations issued to the Member States in the context of the European Semester;

- in addition to investment measures, the RRF also finances reform measures, on which there is a particular focus in the NRRPs;
- the RRF is a performance-based tool, under which disbursements to Member States do not depend on verification of costs incurred in a given project, but on the achievement of agreed objectives (milestones and targets) enshrined in the NRRPs.

NGEU resources are composed of grants (€421.1 billion) and loans (€385.8 billion). Around 90 % of those resources (including all the loans) are steered towards the RRF. The remaining 10 % tops up six EU budgetary instruments under headings 1, 2 and 3 of the MFF (see Annex 5 for more details on other programmes financed by NGEU). Figure 12 shows the breakdown of resources per instrument, including the distinction between grants and loans under the RRF and the €20 billion (REPowerEU) that the RRF receives from the EU Emissions Trading System (ETS) on top of NGEU resources.

Figure 12 – Breakdown of NGEU resources and REPowerEU top-up

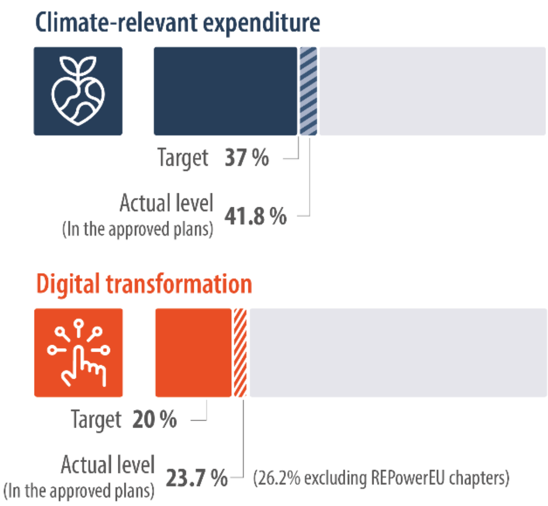


Source: EPRS, based on [European Commission](#) data.

Another significant feature of NGEU and the RRF is that resources are to be spent in line with commonly agreed EU objectives, such as the green transition and digital transformation, with a view to increasing the resilience and sustainability of economies and societies. Three strategic axes have been identified as common challenges at EU level: digitalisation and innovation; ecological transition; and social inclusion. The logic behind this is to ensure an economic rebound characterised by quality recovery that brings about structural changes with a positive and lasting impact on economies and societies.

To this end, the RRF is centred around six policy areas of European interest, called 'pillars': (i) green transition; (ii) digital transformation; (iii) smart, sustainable and inclusive growth; (iv) social and territorial cohesion; (v) health and economic, social and institutional resilience; and (vi) policies for the next generation. In addition, the 2023 revision of the RRF Regulation has extended its scope, making the Facility the main funding tool of the REPowerEU plan that aims to end the EU's dependence on Russian fossil fuels and further accelerate the green transition.

Figure 13 – Green and digital targets



The RRF Regulation sets minimum green and digital targets that each NRRP must meet. As shown in Figure 13, these compulsory benchmarks are set at 37 % of the resources to be devoted to climate-relevant expenditure and 20 % to digital objectives. The initial NRRPs, adopted in 2021 and 2022, already exceeded these minimum requirements, reaching 40 % and 26 % respectively across the EU. Following the revision of the NRRPs in 2023, where 23 Member States added a REPowerEU chapter focused on energy, the actual level of resources devoted to climate-relevant expenditure has increased to 41.8 %, given the strong green dimension of the new chapters. The digital target has remained stable at 26.2 % when excluding the REPowerEU chapters, to which this requirement does not apply.[122]

The breakdown of the RRF grant and loan allocations per Member State is shown in Figure 14. The grant allocation includes the revision of 30 June 2022 based on actual outturn data from Eurostat,[123] as well as the REPowerEU grant allocation[124] and voluntary transfers (partial or full) from the Brexit Adjustment Reserve. All Member States plan on utilising their grant allocation in full. In the context of the 2023 revision of the national recovery plans, the uptake of loans has increased significantly from 43 % to 75 % following additional requests for these resources. Overall, 13 Member States have requested RRF loans,[125] worth a total of €290.9 billion. The remaining 25 % (€94.9 billion) of the resources initially available for loans will remain uncalled for, since the legal deadline for requesting them was 31 August 2023, as stipulated in the RRF Regulation. Hence, once the instrument comes to a close in 2026, if the requested resources are fully used, the RRF's size (around €650 billion in current prices)[126] will eventually be 12.7 % lower than its full potential (€743.8 billion in current prices). Moreover, the sum of EU grant and loan allocations is, in some cases, lower than the total size of a recovery plan (e.g. Denmark, France and Italy), with excess costs planned to be financed by national resources.

In absolute figures, the five largest NRRPs are those of Italy, Spain, Poland, France and Greece, while Luxembourg and Malta have the smallest recovery plans. A partially different picture emerges when looking at the plans as a share of gross domestic product (GDP). The following seven plans exceed 10 % of national GDP: Greece (19.6 %), Croatia (18.5 %), Spain (13.1 %), Romania (12.8 %), Poland (11.2 %), Italy (10.8 %), and Portugal (10.4 %). In relative terms, the smallest NRRPs are those of Luxembourg (0.1 %), Ireland (0.3 %) and Denmark (0.5 %).

122 The digital target including the resources devoted to REPowerEU chapters now stands at 23.7 %.

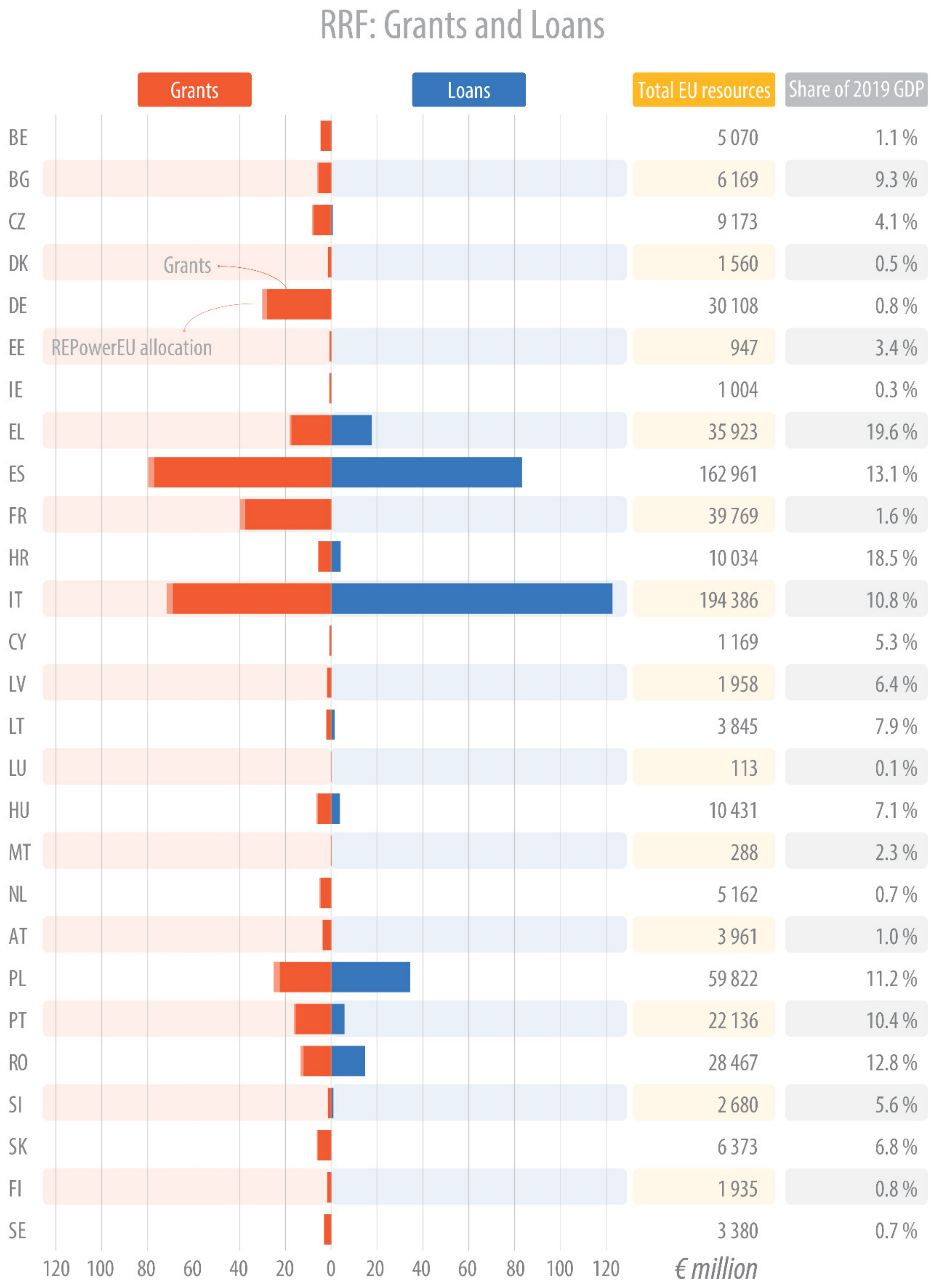
123 The update applied only to the 30 % of the RRF allocation to take into account the state of the economy and possible recovery one year on (i.e. changes in GDP). This brought about higher overall grant allocations for Czechia, Germany, Spain, Italy, Austria and Portugal, and lower allocations for the remaining 21 countries.

124 A different allocation key applies to the REPowerEU grants financed by the ETS.

125 The maximum amount for each Member State is capped at 6.8 % of its GNI in 2019. However, it is possible to exceed the said threshold should a country provide justification for the occurring exceptional circumstances. Greece availed itself of this possibility.

126 Including the REPowerEU grants for the four Member States whose REPowerEU chapters had not yet been submitted (Bulgaria, Germany and Luxembourg) or approved (Ireland) at the time of writing.

Figure 14 – EU funding devoted to NRRPs following their 2023 revisions (€ million and as a share of national GDP in 2019)



Source: EPRS, based on European Commission data.

5.2 RRF implementation

In its fourth year of existence, the implementation of the RRF is **well underway** overall, but some differences in progress have emerged across the Member States. The Commission's recent mid-term review[127] of the Facility, as prescribed by the RRF Regulation (Article 32), reaches the same conclusion. The review represents a key milestone, as it provides the Commission's views on the performance of the RRF during the first half of its life cycle. Primarily based on a study conducted externally by an independent contractor to ensure impartial assessment, the review considers the criteria of relevance, effectiveness, efficiency, EU added value and coherence.[128] It stresses that it is still too early to fully assess the impacts of the RRF, since the reforms that have been implemented come with a delayed impact and the completion of many investment measures (e.g. for infrastructure projects) is planned towards the end of the RRF's timespan (i.e. for 2025-2026) due to their multiannual nature.

The review identifies a number of positive findings, including the following: (i) the RRF has quickly provided financial support to Member States in response to the COVID-19 crisis, helping to preserve public investment in the EU, as opposed to what happened following previous macroeconomic shocks;[129] (ii) the innovative feature of financing reforms alongside investments is deemed to increase the effectiveness of the RRF, given that the two mutually reinforcing types of measures in the plans help Member States address better their European Semester country-specific recommendations; (iii) the performance-based approach is seen as contributing to effectiveness, since it links disbursements to the achievement of tangible results through milestones and targets; and (iv) the RRF has provided substantial funding to advance the implementation of common EU policies.

On the negative side, the review notes the administrative burden of the RRF that may have been exacerbated by the coexistence with EU structural funds that follow a different logic (cost-based instead of performance-based). Representatives of Member States' coordinating bodies have pointed to demanding administrative requirements, including for revision of the plans and reporting, leading to a perceived lack of flexibility and possible delays. Taking stock of progress achieved in implementing the RRF, the Council invited the Commission and the Member States to identify concrete ways to streamline and improve the implementation of the recovery and resilience plans, while ensuring adequate protection of the financial interests of the Union.[130]

The two main indicators for assessing the state-of-play with the RRF continue to be the Commission's payments to the Member States and – as a prerequisite for these payments – the fulfilment of the milestones and targets.

As at 11 April 2024, 35 % (€225.4 billion)[131] of available RRF resources, including the REPowerEU grant allocation, had been paid out to the Member States. As shown in Figure 15, the total amount

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127 Commission Staff Working Document (SWD(2024)70), Mid-term evaluation of the Recovery and Resilience Facility, European Commission, February 2024.

128 The review is also in line with the requirements set out in the Commission Better Regulation Guidelines. For more information, see Better Regulation: why and how, European Commission, 2024.

129 Notably, as of 2008, the financial and economic crisis affected the EU as a whole, further amplifying the public investment gap in the EU. See: A. D'Alfonso, M. Höflmayr, K. Kowald, S. Mazur, M. Mileusnic and M. Pari, Economic and Budgetary Outlook for the European Union 2023, European Parliament, EPRS, January 2023.

130 Council of the European Union, Recovery fund: Council approves conclusions on the mid-term evaluation of the Recovery and Resilience Facility, Press release, 12 April 2024.

131 A further €52 billion in NGEU resources has been disbursed under the other programmes financed by NGEU.

disbursed distinguishes between pre-financing and regular payments. To date, cumulative pre-financing amounts to €67 billion; of which 84 % corresponds to the initial RRF and some 16 % to REPowerEU financing.[132] Regular payments amounted to €158.4 billion, divided between grants (65.7 %) and loans (34.3 %). Overall, the Commission made 54 payments to the Member States, of which 39 were grants and 15 were loans. The instalments paid correspond to over 19 % of the total planned (or 202 grant and 83 loan instalments planned).

When looking at progress in individual Member States,[133] the European Semester documents of May 2023 showed that some differences were emerging across the EU.[134] Almost one year on,[135] the state of play in payments as at 11 April 2024 confirms that differences still persist. The five Member States that had thus far received the highest share of their allocations were France (59 %), Italy (53 %), Slovakia (42 %), Greece (41 %) and Estonia (40 %). At the other end of the spectrum, Ireland, the Netherlands and Sweden have not yet received any RRF resources. Hungary and Poland have received only pre-financing for their REPowerEU chapters, but must meet the so-called 'super-milestones' linked to the protection of the EU's financial interests before they can unblock any other RRF payments. At the time of writing, disbursements to Poland were expected to start soon following the Commission's positive preliminary assessment of this Member State's first payment request worth €6.3 billion (net of pre-financing).[136] For a more granular view, by country, of the implementation status, see Figure 15.

132 Pre-financing can be further distinguished between grants and loans. The Commission paid roughly €4.1 billion and €6.3 billion in REPowerEU grant and loan pre-financing respectively, and €36.6 billion and €19.9 billion in RRF grant and loan pre-financing respectively.

133 For a regular update, please see: National Recovery and Resilience Plans: Latest state of play, EPRS blog; and EU recovery instrument, EPRS infographic.

134 A. D'Alfonso, Recovery and resilience plans in the 2023 European Semester: Progress and country-specific recommendations, European Parliament, EPRS, June 2023.

135 In the second half of 2023, the revision of the plans, not least to include the REPowerEU chapters, may have slowed down implementation and submission of payment requests.

136 European Commission, Poland's efforts to restore rule of law pave the way for accessing up to €137 billion in EU funds, Press release, 29 February 2024.

Figure 15 – RRF disbursements as of 11 April 2024

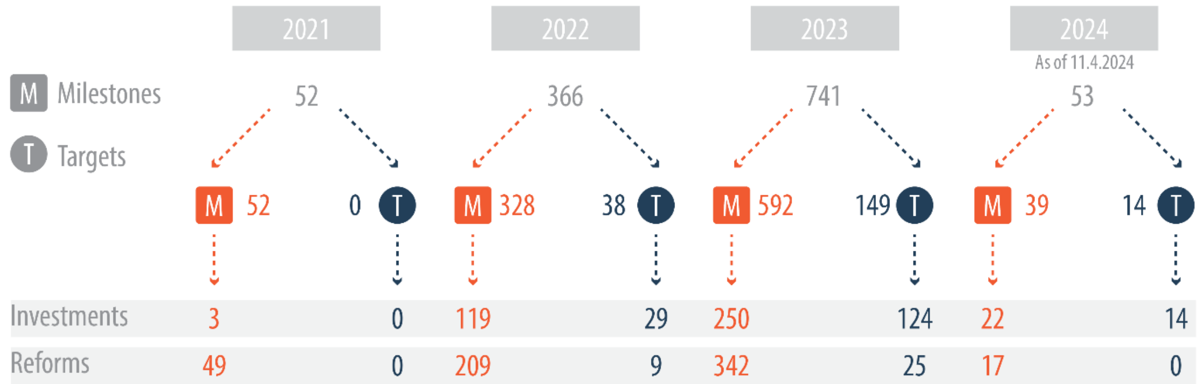
	Disbursement as share of total plan	Total EU resources € million	Pre-financing € million	Grants and loans € million	Grant payments received	Loan payments received
FR	59 %	39 769	5 682	17 703		
IT	53 %	194 386	25 444	77 038		
SK	42 %	6 373	903	1 770		
EL	41 %	35 923	4 123	10 762		
EE	40 %	947	144	239		
MT	37 %	288	55	52		
PT	35 %	22 136	2 330	5 443		
HR	35 %	10 034	1 404	2 100		
LT	35 %	3 845	439	903		
DK	35 %	1 560	241	301		
RO	33 %	28 467	4 082	5 324		
SI	31 %	2 680	255	586		
AT	30 %	3 961	492	700		
CZ	29 %	9 173	1 062	1 630		
LU	29 %	113	12	20		
FI	26 %	1 935	296	202		
LV	24 %	1 958	264	201		
ES	24 %	162 961	10 420	28 000		
CY	22 %	1 169	178	85		
BG	22 %	6 169	0	1 369		
DE	21 %	30 108	2 250	3 996		
BE	18 %	5 070	915	0		
HU	9 %	10 431	920	0		
PL	8 %	59 822	5 055	0		
IE	0 %	1 004	0	0		
NL	0 %	5 162	0	0		
SE	0 %	3 380	0	0		
EU-27	35 %	**648 824**	**66 966**	**158 423**	**39 out of 202**	**15 out of 83**

Source: EPRS, based on [RRF Scoreboard](#) data.

The disbursement of regular payments by the Commission is conditional upon successful achievement of milestones (qualitative indicator) and targets (quantitative indicator) linked to each of the countries' payment requests. By taking into account all the amended national recovery plans, there are 7 086 planned milestones and targets, of which 1 011 milestones and 201 targets have already been fulfilled (17.1 % completion rate); 12.7 % of the milestones and targets planned for investment measures have been fulfilled, as well as 24.3 % of those relating to reform measures. France and Denmark are the top performers in realising planned investment milestones and targets, with a completion rate of 47.8 % and 31.4 % respectively. Regarding the attainment of reform milestones and targets, France (61.7 %) and Luxembourg (59.3 %) top the list. Belgium, Hungary, Ireland, the Netherlands, Poland and Sweden appear at the bottom of the list, with no milestones and targets assessed as achieved thus far. It should be noted that some milestones and targets may already have been achieved, but are not reported as such since the related payment requests have not yet been submitted or are still pending assessment. For a detailed country overview of milestones and targets planned and assessed as fulfilled, see Annex 6.

Regarding the timeline, Figure 16 below shows that the majority (63.8 % or 741 in absolute numbers) of the fulfilled milestones and targets reached completion during 2023, which mainly follows the initial planning embedded in the NRRPs and a gradual increase of quantitative and qualitative indicators to be met as the years go by. In 2024, at the time of writing, there have been three payments (to Czechia, Finland and Lithuania) based on the achievement of 17 reform milestones and 36 investment milestones and targets. The Commission was assessing another 15 payment requests submitted by Member States.

Figure 16 – Achieved milestones and targets per year and measure type until 11 April 2024

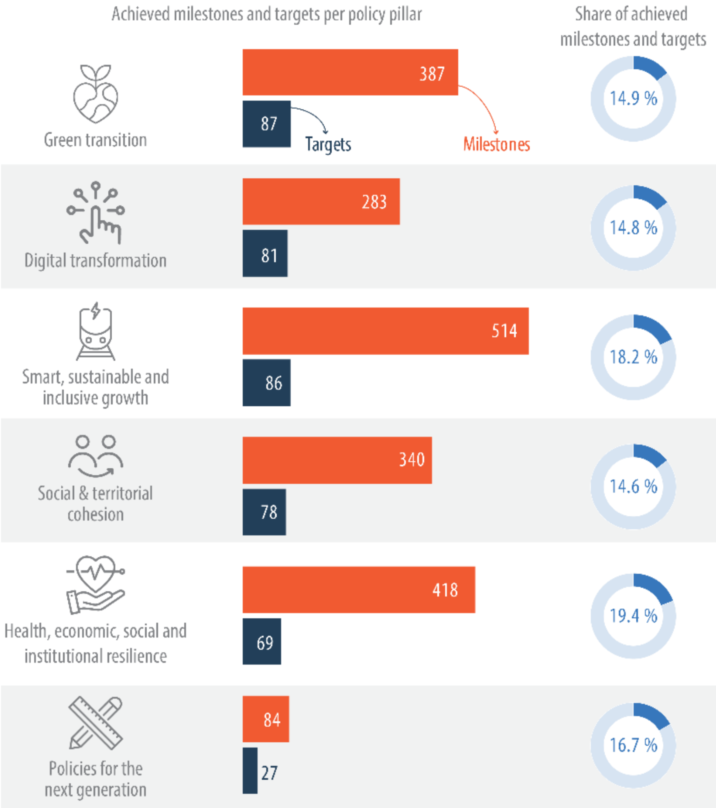


Source: EPRS, based on RRF Scoreboard data.

Figure 17 displays the level of completion of milestones and targets per policy pillar of the RRF.[137] The majority of the achieved indicators in absolute terms for the entire EU address challenges in the RRF policy pillar on 'Smart, sustainable and inclusive growth', with 514 milestones and 86 targets achieved. Conversely, the 'Policies for the next generation' pillar comes with the least milestones (84) and targets (27) achieved. In relative terms, the 'Health, economic, social and institutional resilience' pillar has the highest percentage of completion (19.4 %, corresponding to 418 milestones and 69 targets achieved), while the 'Social & territorial cohesion' pillar has the lowest (14.6 %, corresponding to 340 milestones and 78 targets completed).

[137] A single milestone or target can address several policies simultaneously.

Figure 17 – Achieved milestones and targets per RRF policy pillar until 11 April 2024



Data source: EPRS, based on RRF Scoreboard data.

5.3 NGEU revenue and borrowing operations

The EU had already carried out borrowing operations in the past,[138] but their scale under NGEU is unprecedented.[139] To raise the NGEU resources needed to finance the NRRPs and the reinforcement of other EU programmes' assets, the European Commission carries out borrowing operations on capital markets on behalf of the EU, while enjoying a high credit rating and consequently benefiting from more favourable conditions compared to most Member States.[140] Some of the experts' views on various aspects of EU borrowing are presented in Box 3.[141]

Box 3 –Experts' views on certain aspects of EU borrowing

Analysts from KBC Belgium stress that NGEU has significantly enhanced the EU's bond market. However, a further increase in market liquidity and a long-term perspective on issuance are key for this market to keep developing. While NGEU issuances will expire in 2026, the outstanding volume of EU bonds is likely to double again, thus improving liquidity. New issuances will depend on political decisions establishing new EU financial projects.

As explained in a briefing for the European Parliament's BUDG committee, the cost of NGEU borrowing (estimated between 0.2 % and 1.1 % of average annual EU GDP during the programme) increased significantly due to the ECB's increases in interest rates to fight high inflation. To address this, the analysis suggests, among other things, that the Commission should increase the appeal of EU debt for investors via an improved issuance strategy and enhanced market infrastructure for EU bonds. The briefing also calls for the establishment of a repurchase ('repo') facility, improving the collateral treatment of EU bonds by clearing houses, and the inclusion of EU bonds in sovereign indices.

On 12 February 2024, Fitch Ratings reaffirmed the EU's high credit rating (AAA) with stable outlooks. They stress, inter alia, that the high rating is resilient to debt increases under the NGEU and SURE programmes – likely surpassing €900 billion by the end of 2026 – due to a matching increase in resources from the Member States. They also stress that the EU plans to spread the repayments evenly over the 2028-2058 period, but retains some flexibility on the repayment of debt principal and may roll over some of the upcoming maturities.

Borrowing operations for NGEU activities started in mid-2021 following the ratification of the latest Own Resources Decision by all Member States.[142] The volume of such operations amounts to €160 billion per year on average, and involves the issuance of EU bonds (medium and long-term instrument) and EU bills (short-term instrument) through funding techniques such as auctions and syndicated transactions. This approach is known as the EU's diversified funding strategy. Figure 18

138 The RRF is hardly a novelty in terms of borrowing operations at EU level, as borrowing instruments date back to 1952, when the European Coal and Steel Community Loan Facility was established. The RRF exemplifies the EU's tendency to switch between intergovernmental and supranational modes of borrowing, as does the limited impetus for prolonging or replicating the EU's pandemic fund in response to the war in Ukraine. See D. Hodson and D Horwath, The EU's Recovery and Resilience Facility: An Exceptional Borrowing Instrument?, Journal of European Integration, August 2023.

139 Commissioner Johannes Hahn's speech during the European Parliamentary Week 2024 (Committee on Budgets, Interparliamentary Committee Meetings).

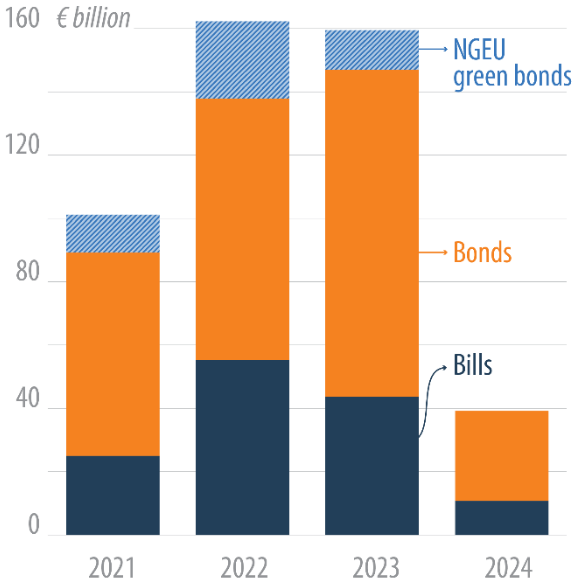
140 For more information on borrowing conditions, see R. Christie, G. Claeys and P. Weil, Next Generation EU borrowing: a first assessment, DG IPOL, European Parliament, October 2021.

141 See L. Noppe and M. Janssens, The developing EU bond market, KBC Group NV, February 2024; G. Claeys, C. McCaffrey and L. Welslau, An estimate of the European Union's long-term borrowing cost bill, DG IPOL, European Parliament, October 2023; Fitch Affirms European Union and Euratom at 'AAA': Outlook Stable, FitchRatings, February 2024.

142 A. D'Alfonso, National ratification of the Own Resources Decision: Procedure completed on 31 May 2021, EPRS, European Parliament, June 2021.

below shows the euro-denominated amounts of the borrowing operations carried out between 15 June 2021 and 15 March 2024. To date, €462.2 billion has been raised, including roughly €49 billion in green bonds[143] (out of a maximum of €250 billion[144] in green bonds for the entire NGEU). In 2024, by mid-March, the Commission had issued €39.2 billion of EU debt (bills and bonds), while its semi-annual funding plan (January-June 2024)[145] is worth €75 billion in EU bonds, to be topped up with EU bills.[146] The funding plan is aligned with the provisions from the annual borrowing decision, which sets a maximum ceiling on the borrowing operations the Commission can plan annually; for 2024, this amount is capped at €160 billion for the long-term and €60 billion for the short-term borrowing.[147] Moreover, out of the issued securities (€462.2 billion), around €135 billion in EU bills will have reached maturity by the end of 2024. The first batch of EU bonds reaching maturity (roughly €18 billion) is set for 2025.[148] In the second half of 2024, the Commission is also expected to inaugurate a repo facility to support market participants in trading EU bonds, thus providing liquidity on a temporary basis in the event of scarcity.

Figure 18 – EU borrowing operations (per instrument, € billion)



Note: Data from 15 June 2021 to 15 March 2024.

Data source: EPRS, based on European Commission data. SURE issuances were not counted.

While the NGEU payments must be finalised by 2026, the repayment of the borrowing will start as of 2028 and will last until 2058. The EU budget and its own resources will repay the grant part of NGEU[149] (€421.1 billion), claimed in full by the Member States, and their corresponding borrowing costs. In February 2024, the MFF mid-term revision addressed the issue of higher-than-initially-planned borrowing costs (see Box 3 above), by introducing a three-step mechanism to be used in

[143] Green bonds are a type of fixed-income instrument that are specifically earmarked to fund environmentally friendly and climate-related projects. For more information, see Infographic – European green bonds, Council of the EU, 2023.

[144] U. von der Leyen, State of the Union Address at the European Parliament Plenary, 16 September 2020.

[145] EU funding plan January-June 2024, European Commission, 12 December 2023.

[146] The Commission relies on a unified approach for all EU borrowing, and not per policy as was the case in the past. The majority of the resources will finance Next Generation EU, while other significant funding is expected to be used for support to Ukraine through the new macro-financial assistance (MFA+) and the Ukraine Facility. For more information, see the Half-yearly report on the implementation of borrowing, debt management and related lending operations pursuant to Article 12 of Commission Implementing Decision C(2022)9700, 1 July 2023 - 31 December 2023, European Commission, February 2024.

[147] Commission implementing decision C(2023) 8728 establishing the framework for Union borrowing, debt and liquidity management operations in 2024 under the diversified funding strategy, European Commission, 12 December 2023.

[148] EU debt securities data, European Commission, 29 January 2024.

[149] An estimate of the European Union's long-term borrowing cost bill, Policy Department for Budgetary Affairs, European Parliament, October 2023.

case of emergency and a new instrument to provide clarity on the budgetary mechanisms for the financing of the NGEU-related costs.[150]

On 20 June 2023, the European Commission completed its proposal for the next basket of own resources,[151] which includes: (i) an own resource based on revenues from an extended Emissions Trading System; (ii) an own resource linked to the carbon border adjustment mechanism; and (iii) a temporary statistical-based own resource on company profits (possibly to be replaced by a contribution from Business in Europe: Framework for Income Taxation (BEFIT), once proposed and unanimously agreed by all Member States). An additional own resource based on the share of residual profits from multinationals that will be reallocated to EU Member States is envisaged following the conclusion of the OECD/G20 agreement on international tax reform. The European Parliament[152] has already supported the proposed package of new own resources, which is pending negotiations in the Council (see Section 7.3).

NGEU loans (€385.8 billion), on the other hand, are considered *hors budget* and are transferred to the Member States that have requested them. Both the principal amount and the interest on this component are to be repaid directly by the Member States, which nevertheless benefit from the European Union's high credit rating. Only in the unlikely event of a Member State default would the loan repayment fall back on the EU budget, which provides a guarantee (see Box 4).

Box 4 – How does the EU guarantee its borrowing?

The EU budget guarantees the borrowing through its own resources, notably through the difference between the own resources ceiling for payments and the actual payment ceiling in the agreed MFF, also known as the budgetary headroom. The own resources ceiling sets the maximum amount of own resources the Commission can call on from Member States in any given year to finance expenditure and cover contingent liabilities and unexpected events. This helps keep the EU budget balanced (where expenditure must equal revenue), as required by the EU treaties (Article 310 TFEU). To finance the NGEU recovery instrument, the own resources ceiling has been temporarily raised to 2 % of the EU's gross national income (GNI). The temporary increase accounts for 0.6 % of EU GNI (on top of the permanent ceiling of 1.4 % of EU GNI) and can only be used to finance NGEU, which has a one-off character. This increase ensures that the debt can be repaid at any given moment.

5.4 European Parliament's role

Following the outbreak of the pandemic, the European Parliament was a major advocate of launching a common EU recovery instrument and established the RRF as a co-legislator with the Council. Parliament is not directly involved in assessing the national recovery and resilience plans and their revision, or adopting the implementing decisions that authorise the financial contributions to the Member States under the RRF. Those are the roles of the European Commission and the Council respectively. However, based on the provisions of the RRF Regulation (in particular Articles 25 and 26) and the Interinstitutional Agreement on cooperation on budgetary matters, Parliament scrutinises the Commission's work. This scrutiny relies on the provision of information,

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150 Council Regulation (EU, Euratom) 2024/765 of 29 February 2024.

151 An own resource based on the national contribution calculated on the basis of the non-recycled plastic packaging waste had already been introduced and has been in force since January 2021. See The next generation of EU own resources, European Commission, June 2023.

152 European Parliament legislative resolution of 9 November 2023 on the proposal for a Council decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union.

dialogues and reviews. In addition, Parliament's scrutiny role over NGEU spending stems from its powers as one arm of the budgetary authority (budgetary and discharge procedures), and from its involvement in the dialogue on the European Semester. Parliament is particularly important for ensuring the transparency and democratic scrutiny of the assessment and implementation process for the extraordinary resources under NGEU, including the RRF.[153]

According to the RRF Regulation, the Commission should transmit information simultaneously to the Council and Parliament. Moreover, the outcome of discussions held in Council preparatory bodies should be shared with the competent committee of the Parliament. In particular, Parliament is to receive information on the assessment of the recovery and resilience plans submitted to the Commission, proposals for Council implementing decisions, and a number of reports produced by the Commission in the process of implementing and financing the Facility.[154] Two bodies, established to facilitate interinstitutional cooperation, play a key role in efforts to ensure transparency and accountability in implementation of NGEU and the RRF:[155]

- interinstitutional meetings on the implementation of NGEU (based on the Interinstitutional Agreement on budgetary matters of 16 December 2022, Annex I, part H). The meetings include representatives of the Parliament, Council and Commission and are to take place at least three times a year;
- a recovery and resilience dialogue with the European Commission (based on Article 26 of the RRF Regulation). These meetings are an important opportunity for the Members of the Committee on Budgets (BUDG), the Committee on Economic and Monetary Affairs (ECON) and Commission representatives (Valdis Dombrovskis, Executive Vice-President for An Economy that Works for People, and Paolo Gentiloni, Commissioner for Economy) to exchange information. These meetings are to take place every two months. Fourteen dialogues have taken place so far, the most recent on 5 February 2024.

While the two main committees dealing with the topic are BUDG and ECON, many others are involved in the discussions on various aspects of NGEU implementation. To fulfil its role, Parliament set up the standing working group on scrutiny of the RRF. Since March 2021, it serves as both an internal forum for information exchange and debate, and a preparatory and follow-up forum for the recovery and resilience dialogue occurring every two months. It consists of 27 members and 14 substitute members of the BUDG, ECON and associated committees (on Employment and Social Affairs (EMPL), on the Environment, Public Health and Food Safety (ENVI), on Industry, Research and Energy (ITRE), and on Transport and Tourism (TRAN)), nominated by the political groups.

Furthermore, to protect the EU's financial interests, and in light of the discharge procedures, the Committee on Budgetary Control (CONT) is responsible for scrutiny of the unprecedented level of expenditure under NGEU. The discharge procedure for the annual 2022 budget, voted in plenary in April 2024 (see Section 6.4),[156] covered, for the second time, evaluation of NGEU grants.[157]

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153 The European Parliament's Recovery and Resilience Facility webhub provides an overview of how Parliament oversees the RRF.

154 For more on the information sent to the European Parliament and the Council, see the European Commission RRF document website.

155 M. Sapała and N. Thomassen, Recovery plan for Europe: State of play, EPRS, European Parliament, September 2021.

156 European Parliament Decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2022, Section III – Commission (2023/2129(DEC)).

157 On 7 November 2023, the CONT committee organised a public hearing on NGEU and the RRF. The Written Questions to Commissioners Valdis Dombrovkis and Paolo Gentiloni, with the Commission's replies, are available on the European Parliament's website.

Since March 2021, Parliament has debated the RRF during plenary sessions on various occasions and adopted several resolutions on the Facility. Members have repeatedly highlighted the importance of transparency, regular scrutiny and monitoring of RRF expenditure and compliance with the rule of law, and noted that successful implementation is key to ensuring long-term impact and economic growth.[158] Other key aspects addressed by Members concern the quality of the investments and reforms included in the NRRPs, risks and delays in the implementation process, assessment of the payment requests, and involvement of regional and local authorities in implementation of the RRF.

In February 2023, as co-legislator with the Council, Parliament amended the RRF Regulation to enable Member States to add energy-focused REPowerEU chapters to their plans, introducing provisions to increase the transparency of the entire RRF (with the compulsory publication and updating of a list of the 100 largest beneficiaries for each national plan)[159] and have a greater focus on cross-border projects in the REPowerEU chapters.[160]

[158] See, for example: Resolution of 23 June 2022 on the implementation of the Recovery and Resilience Facility, European Parliament.

[159] A. Schwarcz, Analysis of the 100 largest recipients of RRF funds per Member State, DG IPOL, European Parliament, April 2024.

[160] Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023.

6 Implementation of the budget and scrutiny of EU spending: Procedures in the European Parliament

Ensuring **democratic scrutiny of EU spending** is a central role of the European Parliament. Various tools and procedures guarantee that this task can be carried out efficiently.

The European Parliament and the Council **establish the EU budget** jointly pursuant to Article 314 of the Treaty on the Functioning of the European Union (TFEU). Together, Parliament and the Council form the EU's budgetary authority. The European Parliament's Committee on Budgets (BUDG) ensures scrutiny of the implementation of the current year's budget.

Under Article 319 TFEU, Parliament, acting on a recommendation of the Council, decides whether to grant **discharge** to the Commission as regards the implementation of the EU's annual budget. The discharge procedure has become a key tool for ex-post budgetary scrutiny. The procedure includes public debates and reports of the Committee on Budgetary Control (CONT) that highlight areas of concern. Rule 100 of Parliament's Rules of Procedure expands the list of entities which are subject to the discharge procedure. A key element in the discharge procedure is the annual report by the European Court of Auditors (ECA).

The **Budgetary Conditionality Regulation** (2020/2092) provides a powerful tool to protect the financial interests of the European Union. The measures that can be adopted under this Regulation include the suspension of payments or commitments in favour of Member States and the reduction of pre-financing. However, these measures can only be taken if the breaches affect the sound financial management of the Union budget or the protection of the Union's financial interests in a sufficiently direct way. The Regulation does not apply to a generalised deficiency of the rule of law in a Member State, which was the intention of the original Commission proposal supported by Parliament. The Regulation has been applied in relation to funding for Hungary.

In order to strengthen democratic and budgetary scrutiny, the Conference of Presidents (CoP) of the European Parliament adopted several **reform proposals** in December 2023. On 10 April 2024, Parliament approved the report implementing the recommendations by the Parliamentary reform group 'Parliament 2024', which included important improvements to budgetary scrutiny.

6.1 Democratic scrutiny of the EU budget

The European Parliament and the **Council** jointly form the EU budgetary authority in accordance with Articles 14 and 16 of the Treaty on European Union (TEU). Pursuant to Article 314 of the Treaty on the Functioning of the European Union (TFEU), Parliament agrees the annual budget together with the Council. Once the budget has been adopted, the budget is implemented applying three different management modes.

For the 2022 Budget, about 37 % of the European funds were disbursed and managed directly by the Commission. Under 'direct management', the Commission can carry out tasks itself or delegate them to EU executive agencies. The majority of EU funds – approximately 56 % – were disbursed and managed by the national administrations under 'shared management' together with the Commission, notably in relation to agriculture and cohesion funds. The final 7 % were distributed through 'indirect management' by other external organisations that implemented tasks, such as third-country authorities, international organisations and EU decentralised agencies.

The Recovery and Resilience Facility (RRF), the main investment tool under Next Generation EU (NGEU), is managed directly by the Commission and has significantly increased the share of direct management in recent EU budgets However, Member States play a significant role in the implementation of the national recovery and resilience plans that the RRF finances. Therefore, while the Commission is ultimately responsible for the correct implementation of the EU budget, it relies on Member States' cooperation (Article 317 TFEU).

The European Parliament plays a key role in the democratic scrutiny and control of the implementation of the EU budget. Under Article 319 TFEU, Parliament, acting on a recommendation of the Council, the other arm of the EU budgetary authority, decides whether to grant discharge to the Commission as regards the implementation of the EU's annual budget.[161]

Further details on the discharge procedure are provided in the EU's Financial Regulation,[162] notably Articles 260 to 263. In addition, the European Parliament has defined internal organisational and operational rules concerning the discharge procedure in its Rules of Procedure, particularly in Rules 99 and 100, Rule 104(3), and Annex V.

Whereas Article 319 TFEU only envisages that the European Parliament grants discharge to the European Commission, Rule 100 of Parliament's Rules of Procedure expands the list of entities which are subject to the discharge procedure to Parliament's own administrative budget, to all other EU institutions and bodies, and to all legally independent agencies and entities which rely on the EU budget.

The 'discharge procedure' ensures that there is annual oversight at the political level and thus budgetary control of how the entire EU budget has been spent, both in regard to funds implemented directly by the Commission and those implemented under 'shared management' or 'indirectly'.

Parliament assesses, in the framework of the discharge procedure, whether budgetary spending has been in accordance with relevant EU rules (compliance), and in accordance with the principles of sound financial management (performance). The procedure allows the institutions to reflect upon the results and effects and thus identify both good practices and weaknesses, with the central goal of improving financial management and ensuring even better results with the EU budget.

The discharge procedure, which covers the EU revenue and expenditure accounts, their balance, and the assets and liabilities of the EU detailed in the balance sheet, performs a two-fold function:

- politically, it represents the assessment by the democratically elected institution of how the Commission has performed its task of implementing the budget;
- technically, it allows the accounts of a given year to be closed, which brings the relevant budgetary cycle to an end.

If the discharge is refused overall, it would de facto be a vote of no confidence in the Commission, which, however, has no legal consequences. Non-discharge is a political censorship of the way the Commission or other entities implement their budget. In 1984, 1987 and 1998, Parliament refused provisional or final discharge to the Commission. The refusal of discharge to the Commission in 1998 started a procedure that finally led to the resignation of the Santer Commission in 1999.

161 A. D'Alfonso, Discharge procedure for the EU Budget: Political scrutiny of budgetary implementation, EPRS, European Parliament, 2020.

162 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (OJ L 193, 30.7.2018, p. 1).

For the past 14 years, i.e. since 2009, Parliament has refused to grant discharge to the Secretariat-General of the Council, due to the Council's lack of cooperation in the discharge procedure (the Council rejects Parliament's competence to grant discharge to it). This institutional standoff has not led to any further consequences. Parliament has refused discharge to the European Economic and Social Committee and to Frontex in recent years (see Figure 19 and Table 9 below), which has led to significant administrative consequences for both entities.

However, a strongly negative remark in a draft discharge report by a rapporteur can lead to swift changes of behaviour and concessions to Parliament. This, for example, was the case in the discharge for the Commission for the financial year 2021 regarding RRF spending (see below). This underlines the power of the whole procedure, even well before the complete refusal of discharge. The discharge procedure has proven to be an important tool for ensuring democratic control and oversight by the European Parliament in scrutinising EU spending, and has had a significant impact on the evolution of the EU's budgetary system.

6.2 Main steps in the budgetary discharge procedure

The European Parliament scrutinises the implementation of the budget with a view to granting discharge, i.e. final approval of the implementation of the budget, to the Commission, the other EU institutions and the decentralised EU agencies. All budgetary spending in the EU is subject to internal and external scrutiny; the Internal Audit Service (IAS) – a DG within the Commission – is responsible for internal scrutiny. The IAS carries out audits across the Commission, in European agencies and in other EU bodies receiving funds from the EU budget. It also scrutinises the annual activity reports of the DGs, agencies and other bodies.

External scrutiny is undertaken by the European Court of Auditors (ECA), which is in charge of the audit of EU finances, and thus examines revenue and expenditure accounts on the basis of first-level audits done by national audit institutions, IAS reports and the ECA's own audits. The ECA provides the Council and the European Parliament with an annual statement of assurance.

Before granting discharge, the European Parliament examines several key audit publications to be able to assess both compliance and performance. These include the annual activity reports of the Commission's DGs, the Commission's annual management and performance report, the evaluation reports, and the replies from the Commission and the other institutions to Parliament's questions. By 1 June of each year, the Commission must deliver this documentation relating to the previous year's budget to the Council, the Parliament and the Court of Auditors in view of the ECA's annual report.[163]

The European Parliament first votes by March or April of the following year, whether to grant or – if not satisfied – postpone discharge. If postponed, Parliament votes again in October on whether to grant or refuse discharge. In both cases, a simple majority is sufficient, avoiding the possibility of deadlock within Parliament. The six-month period allows the Commission or other institutions and bodies to respond to the criticism and comments before the final vote.

Over the last few years, performance budgeting has become more important in the framework of the discharge procedure: the ECA and the Parliament do not merely focus on the formal correctness

[163] The most recent available annual report is the annual report for the financial year 2022.

of the spending, but also assess whether the envisaged objective of the budgetary spending has been achieved.[164]

The annual reports from the ECA provide the main basis on which the Council recommends and the Parliament decides whether to give the Commission discharge. Parliament may decide to postpone discharge where it is not satisfied with particular elements of the Commission's management of the budget. Ultimately, this can lead to the resignation of the Commission, as it did in 1999, after threats from Parliament to vote for a censure of the College of Commissioners.

Under Article 319 TFEU, the European Parliament, acting on a recommendation of the Council, decides whether to grant discharge to the Commission for the implementation of the EU's annual budget. Article 319(3) TFEU reads: 'The Commission shall take all appropriate steps to act on the observations in the decisions giving discharge and on other observations by the European Parliament relating to the execution of expenditure, as well as on comments accompanying the recommendations on discharge adopted by the Council. At the request of the European Parliament or the Council, the Commission shall report on the measures taken in the light of these observations and comments and in particular on the instructions given to the departments, which are responsible for the implementation of the budget. These reports shall also be forwarded to the Court of Auditors.'

The Committee on Budgetary Control (CONT) bears the responsibility for developing Parliament's approach to discharge. The Committee examines the accounts of the previous year, the annual report of the Court of Auditors, and answers from the Commission and other institutions to the scrutiny of the Court. Furthermore, CONT addresses written questions to the Commission and organises hearings of Commissioners and representatives of other institutions. The Committee members focus on policy activities and operating procedures where, primarily, the Commission should improve the management of the budget. Parliament's plenary decides – based on the reports prepared by the CONT Committee, and taking into account the Council's recommendation – whether to grant, postpone or refuse discharge. If Parliament decides to postpone discharge, it is not satisfied with certain aspects of the Commission's management of the budget and may ask for these to be corrected or acted upon, before discharge is granted.

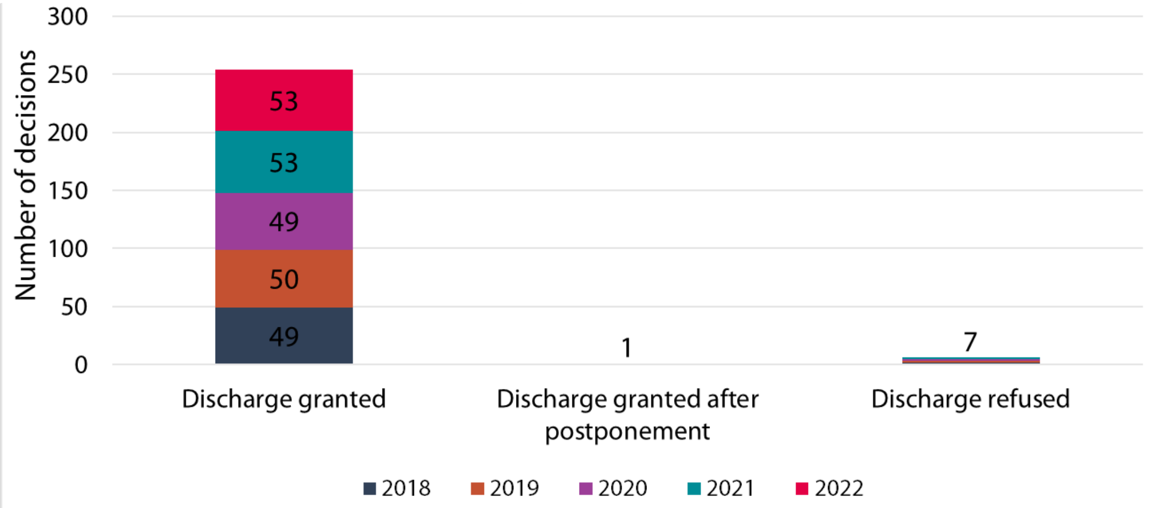
6.3 Parliamentary oversight 2019 to 2024

During the 2019-2024 legislative period, many of the shortcomings that Parliament found in the framework of the discharge procedures for the financial years 2018, 2019, 2020, 2021 and 2022 have applied less to the Commission but rather to certain EU agencies, and to the Council and European Council budget.

Since 2009, Parliament has not granted discharge to the European Council and the Council for any financial year. This is attributed to an unwillingness to cooperate with the process, preventing Parliament from making an informed assessment of the budget's implementation. The discharge of the European Border and Coast Guard Agency and the European Economic and Social Committee (EESC) has been postponed and then refused. In 2020, discharge for 2018 was postponed and subsequently granted to the EESC after new ethics and transparency measures were introduced and engagement with harassment inquiries improved.

[164] I. Begg, F. Corti and A. Liscai, Performance framework for the EU budget, Concepts and practices, Centre for European Policy Studies, March 2024, requested by the European Parliament's Committee on Budgets.

Figure 19 – Parliament discharge decisions for the financial years 2018-2022



Source: EPRS.

In 2024, the European Parliament dealt with the discharge of the 2022 financial year for the Commission, as well as all other EU institutions and bodies, 33 EU decentralised agencies and nine joint undertakings. In June 2023, the Commission had launched the discharge procedure for the financial year 2022 with the publication of the annual accounts[165] for that year. In October 2023, the Court of Auditors' annual report on the implementation of the budget for the financial year 2022 was published. By the end of December 2023, the CONT Committee had closed the hearings stage with Commissioners and representatives of other EU institutions, bodies, offices and agencies.

In January 2024, CONT members discussed the draft reports. Based on these reports, and after receiving the Council's recommendation on the discharge, Parliament decided during the first plenary meeting in April 2024 to grant discharge to the Commission, all decentralised agencies and the development funds. However, the discharge for the European Council and the Council was, for the first time, taken off the agenda pursuant to Rule 200(4) of Parliament's Rules of Procedure during the plenary session on 11 April 2024. That was based on an oral request by a Member who argued that the European Council and the Council had not done enough to provide adequate air defence capacities to Ukraine in the face of Russia's brutal attacks against the country's energy infrastructure and other civilian targets.

The European Parliament generally endorsed budgetary management carried out by the European Commission for the financial year 2022.[166] However, Parliament criticised a high error rate in the 2022 spending, prompting Parliament to warn against underestimating the level of risk. At the same time, Parliament noted with concern that the EU's outstanding commitments in 2022 had reached a record high (€450 billion), largely related to commitments under the recovery instrument (see Section 6.3) and the late start of the programmes for 2021-2027.

[165] Communication from the Commission to the European Parliament, the Council and the Court of Auditors – Consolidated annual accounts of the European Union for the financial year 2022.

[166] European Parliament resolution of 11 April 2024 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2022, Section III – Commission and executive agencies (2023/2129(DEC)).

Box 5 – Parliament scrutinises Frontex in the discharge procedure

During the discharge procedure for the financial year 2019, Parliament found shortcomings in the management of the European Border and Coast Guard Agency (Frontex).

The Committee for Budgetary Control (CONT) recommended postponing Frontex's discharge for the financial year 2019 from spring 2021 to October 2021. Contrary to that recommendation, the plenary did vote to grant discharge to Frontex; instead, it put €90 million – or around 12 % of the agency's total budget – under reserve and stated that Frontex would receive the funds only under certain conditions. During the discharge procedure for the financial year 2020, Parliament again postponed its decision on Frontex's accounts because a majority of Members were not convinced that Frontex had met the conditions Parliament had set in October 2021. In addition, the agency had to address the findings of an ECA report from 2021 and an EU Anti-Fraud Office (OLAF) investigation into harassment, misconduct and migrant pushbacks, and to report on its progress to Parliament. The scrutiny led to the resignation of the Executive Director of Frontex in April 2022, and in October 2022 Parliament refused to grant Frontex discharge for the implementation of the 2020 budget. The new Frontex leadership has drawn up an action plan with specific measures to address various shortcomings in areas such as organisational culture, transparency and accountability and the fundamental rights framework.

Source: EPRS.

In 2024, Parliament will begin the discharge procedure for the 2023 budgetary year. Once the accounts have been closed, in accordance with the discharge procedure for the EU annual budget, management and execution of the 2023 budget will be evaluated during the course of 2024 and 2025.

An important point of discussion during the discharge procedure for the financial year 2022 concerns the backlog in spending as far as cohesion funds are concerned. According to the ECA report, absorption of the European structural and investment funds for the previous funding period (2014-2020) was slower in 2022 than in 2021 and 2020. The ECA stresses that for three Member States – Denmark, Malta and Croatia – absorption rates were below 70 %. In this context, some CONT members expressed concerns about possible overlaps between the RRF and cohesion funds.

EU funding for Palestine and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has repeatedly been an issue for Parliament. Parliament expressed its concerns about 'credible reports that certain employees of UNWRA could have been involved in or associated with acts of terror by the Hamas terrorist organisation'.[167] They urged the Commission to 'guarantee independent controls of UNRWA by external experts, the European Court of Auditors and experienced international partners'. Furthermore, Members stressed 'the importance of education and the critical need to denounce and eradicate all manifestations of hate speech and violent actions on both sides' and underscored that 'the suspension of funding should not occur arbitrarily or without transparent and independent evidence of misuse'. Parliament condemned 'the problematic and hateful contents encouraging violence, spreading antisemitism and inciting hatred in Palestinian school textbooks drafted by Union-funded civil servants as well as in supplementary educational materials developed by UNRWA staff and taught in its schools'.

[167] European Parliament resolution of 11 April 2024 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2022, Section III – Commission and executive agencies (2023/2129(DEC)).

Table 9 – Parliament discharge decisions for the financial years 2018-2022

	Discharge granted	Discharge granted after postponement	Discharge refused
2018	49	0	2 (European Council and Council, European Economic and Social Committee)
2019	50	0	1 (European Council and Council)
2020	49	1 (European Economic and Social Committee)	2 (European Council and Council, European Border and Coast Guard Agency)
2021	53	0	1 (European Council and Council)
2022*	53	0	0

* The vote on the 2022 discharge of the European Council and Council was taken off the agenda during the 11 April 2024 plenary pursuant to Rule 200(4) of Parliament's Rules of Procedure and is therefore not included in the table.

6.4 Discharge for RRF spending

The discharge procedure includes the grant component of the RRF.[168] However, discharge does not cover the loan component of the RRF, which lies outside the EU budget.[169] Parliament's discharge procedure for the financial year 2021 covered the RRF for the first time, establishing a reference framework for future exercises. In May 2023, Parliament granted discharge to the Commission in respect of the implementation of the EU's general budget for 2021, including a separate chapter on the RRF. The discharge was based on a payment to Spain, the only RRF payment linked to milestones and targets made that year. Parliament called for a number of improvements, including, but not limited to the transparency of the funds' final recipients, the quality of auditing, and reporting on the achievements. Furthermore, Parliament called on the Commission not to approve payment requests unless the rule of law conditionality is fully met. Parliament made three recommendations on the RRF, with multiple points to be addressed by the Commission.

This discharge procedure clearly demonstrated Parliament's significant scrutiny power over the Commission: the co-rapporteurs' draft report was highly critical towards the Commission regarding the RRF. At that point, the Commission began to move on Parliament's priority demands, such as

168 Given that external assigned revenue is not covered by the annual budgetary procedure, a procedure was provided for in points 41 to 46 of Annex I to the IIA on budgetary matters of 16 December2020 to ensure involvement of the Parliament and the Council.

169 Special report by the European Court of Auditors on 'The EU's financial landscape'.

increased transparency on RRF beneficiaries,[170] a list of projects, and a broader declaration of assurance from DG ECFIN regarding RRF spending. A recurrent concern expressed by CONT relates to the assessment of the complete achievement of the milestones, which is a precondition for RRF payments: during last year's discharge procedure there was a discussion about whether Spain had received payments despite the fact that one of the milestones had not been fully achieved.

In 2022, the RRF's implementation was fully underway and the 2024 discharge covered the 13 RRF grant payments[171] made to 11 Member States by 31 December 2022. Members acknowledged the ECA's qualified opinion concerning the RRF expenditure and welcomed the Court's systematic audit work regarding the RRF. They welcomed the improvements introduced to the functioning of the RRF and to the presentation of the results. Furthermore, Members welcomed the RRF's crucial contribution to preventing a severe economic downturn and social crisis following the COVID-19 pandemic, and the fact that it enabled an unprecedented wave of reforms and investments across the EU. The discharge report makes a number of recommendations concerning, in particular, the Commission's work on verification of the milestones and targets.

Members have repeatedly called for a list of all final recipients and projects of the RRF, including the economic operators involved and their beneficial owners in order to guarantee transparency about the spending of RRF funding. Member States should be obliged to carry out ex-post checks on the final recipients to avoid double funding through overlaps with the cohesion and rural development programmes.

6.5 Rule of law and the Budgetary Conditionality Regulation – A new tool to protect the financial interests of the EU

Regulation 2020/2092[172] on budgetary conditionality entered into force on 1 January 2021. It is based on Article 322 TFEU. The Regulation provides a powerful tool to ensure budgetary scrutiny and to protect the financial interests of the European Union.

The following measures can be adopted under this Regulation:

- suspension of payments or commitments;
- termination of a legal commitment;
- prohibition on entering into new legal commitments;
- suspension of the approval of programmes; and
- reduction of pre-financing.

These measures can only be taken if the breaches affect the sound financial management of the Union budget or the protection of the Union's financial interests in a sufficiently direct way. The Regulation does not apply to a generalised deficiency of the rule of law in a Member State, which was the intention of the original Commission proposal[173] supported by the European Parliament.

[170] European Commission, Commission welcomes political agreement on REPowerEU under the Recovery and Resilience Facility, Press release, 14 December 2022.

[171] The 13 payments totalled €53.7 billion, of which €46.9 billion were paid out to Member States and €6.8 billion were cleared of the related pre-financing. A total of 274 milestones and 37 targets had to be fulfilled for the payments to be made. Source: ECA Annual report 2022.

[172] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget.

[173] Proposal for a Regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States COM/2018/324 final.

The scope of the Regulation is more precise, as it requires the Commission to prove that the financial interests of the Union are directly affected. In the context of that procedure, the Commission has to conclude that there are no alternative procedures available that would allow the budget to be protected more effectively and that the principle of proportionality of the proposed measures is guaranteed. The European Parliament's role under this Regulation is limited: it has the right to be informed of any procedure. The final say on any measures under the Regulation lies with the Council, deciding by a qualified majority.

The Commission launched 'annual rule of law reports' in September 2020 inspired by Parliament's original proposal for a 'rule of law review cycle'.

On 11 March 2021, Poland and Hungary lodged actions before the European Court of Justice (ECJ) against the Regulation. The ECJ handed down its ruling on 16 February 2022 confirming the conformity of the Regulation with the EU treaties;[174] Parliament urged the Commission to apply the Regulation immediately.[175] On 2 March 2022, the Commission published guidance on the conditionality mechanism.[176] On 18 September 2022, the Commission applied Regulation 2020/2092 for the first time.[177]

The issues of breaches of the rule of law concerned Hungary and related mainly to:

- systemic irregularities, deficiencies and weaknesses in public procurement, with the improper functioning of the national authorities implementing the Union budget in the context of public procurement procedures;
- public interest trusts with their recurrent issues related to conflicts of interest and transparency, such as trust members not being subject to conflict of interest requirements or conflict of interest rules not being applicable to members of parliament, state secretaries and other public officials of the government who may serve at the same time as board members of such trusts;
- limitations to effective investigation and prosecution of alleged criminal activity, the organisation of the prosecution services, and the absence of a functioning and effective anti-corruption framework, which leads to a lack of effective judicial remedies by which an independent court can investigate or prosecute alleged corruption, fraud and other criminal offences affecting the Union's financial interests.

Based on the above-mentioned rule of law concerns, the Commission proposed the suspension of funds allocated to Hungary:[178] 65 % of the budgetary commitments under the following operational programmes in cohesion policy were to be suspended, corresponding to a suspension of €7.5 billion of EU funds:

- Environmental and Energy Efficiency Operational Programme Plus;
- Integrated Transport Operational Programme Plus;
- Territorial and Settlement Development Operational Programme Plus.

174 Judgments of the Court of 16 February 2022 in Cases C-156/21 Hungary v. Parliament and Council, ECLI:EU:C:2022:97, and C-157/21 Poland v. Parliament and Council, ECLI:EU:C:2022:98.

175 European Parliament resolution of 24 June 2021 on the Commission's 2020 Rule of Law Report (2021/2025(INI).

176 European Commission Communication, Guidelines on the application of the Regulation (EU, EURATOM) 2020/2092 on a general regime of conditionality for the protection of the Union budget, C(2022) 1382 final, 2 March 2022.

177 Proposal for a Council Implementing Decision on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, COM(2022) 485 final.

178 Proposal for a Council Implementing Decision on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, COM/2022/485 final.

Hungary could have avoided the suspension of funds if certain remedial measures had been adopted. The annex to the Commission proposal mentioned a set of remedial measures that had to be implemented by 19 November 2022, concerning inter alia the judicial review of prosecutors' decisions or the establishment of an Anti-corruption Task Force. The Commission evaluated the situation after that deadline and decided to stick to its proposal to suspend funds allocated to Hungary. After discussions in the Council, the legal act was adopted by the Council on 15 December 2022: all delegations, except for Hungary and Poland, voted for the adoption of the Council implementing decision for the protection of the Union budget against breaches of the principles of the rule of law in Hungary. The required qualified majority had been reached.[179]

This decision included a suspension of €6.3 billion (55 % of the budgetary commitments) of EU cohesion policy funds for the country as well as a prohibition on entering into legal commitments with any Hungarian public interest trust. Although the Council recognised that a certain effort had been made, this was deemed insufficient.

Following the procedure set out in the Conditionality Regulation, one year after the adoption of the Council's decision the Commission re-evaluated Hungary's situation on 13 December 2023 and confirmed that the risk to the Union budget remained unchanged since December 2022, and that the Council's measures under the Budgetary Conditionality Regulation should not be adapted or lifted.

In its resolution of 18 January 2024, the European Parliament welcomed the prolongation of the suspension adopted under the Conditionality Regulation.[180] At the same time, Members of Parliament called on the Commission to ensure that the final recipients or beneficiaries of EU funds are not deprived of these funds, as set out in the Rule of Law Conditionality Regulation. Members called the Rule of Law Conditionality Regulation 'one of the most effective instruments which allows the protection of the EU budget'.

In addition to the procedure under the Budgetary Conditionality Regulation, the Commission has followed up on other procedures against Hungary: one procedure relates to the so-called 'horizontal enabling conditions' as far as the judicial reform in Hungary is concerned. Those conditions are important in the context of cohesion funding, as Member States must ensure the fulfilment of enabling conditions throughout the whole cohesion policy funding period. In December 2023, the Commission concluded that Hungary had taken the measures to which it had committed itself in order to fulfil the horizontal enabling condition on the EU Charter of Fundamental Rights as regards judicial independence, i.e. ensuring judicial protection of citizens' rights. This meant part of the funding was no longer blocked, and Hungary could start claiming reimbursements of up to around €10.2 billion. However, significant funds remained blocked for Hungary. On 11 March 2024, Parliament's Legal Affairs Committee voted to bring the Commission to court for breaching its obligation to protect the financial interests of the EU budget by unlocking funds for Hungary. Parliament seeks the annulment of Commission Implementing Decision C(2023) 9014 of 13 December 2023, and lodged its case against the Commission on 25 March 2024 under the case number C-225/24.

Respect for the rule of law plays a major role in the context of the Hungarian national recovery and resilience plan (NRRP): in its NRRP, Hungary committed to 27 'super milestones' to ensure the

[179] Written procedure of the Council of 15 December 2022: Council Implementing Decision (EU) 2022/2506.

[180] European Parliament resolution of 18 January 2024 on the situation in Hungary and frozen EU funds (2024/2512(RSP).

protection of the Union's financial interests. The completion of these super milestones is a condition for the payment of the funds (see Chapter 5 on NGEU and the RRF).

Additionally, there are Article 7(1) TEU procedures ongoing against Hungary and Poland. Article 7(1) TEU, which constitutes a preventive phase, was triggered by Parliament in relation to Hungary and by the Commission in relation to Poland.

Preventive action provides for a dialogue with the Member State concerned and is intended to avoid the possible suspension of certain rights deriving from the application of the Treaties. The practice of organising hearings on Article 7(1) TEU within the framework of the General Affairs Council has varied widely from one Council presidency to the next. Parliament has repeatedly criticised the Council because the hearings have not led to an improvement in the rule of law, democracy and fundamental rights in Poland and Hungary, and because the situation in the countries has continued to deteriorate since the procedures under Article 7(1) TEU were triggered.[181] Parliament has called repeatedly for the hearings to be organised with suitable frequency and in an appropriate manner, as a precondition for the effective use of the Article 7(1) procedure. Hearings under Article 7(1) TEU should also address new developments, including those related to violations of fundamental rights.

The scope of the breaches of the rule of law under Article 7 TEU is wider than that of the Budgetary Conditionality Regulation, as it is not limited to the financial interest of the EU. However, decisions under Article 7(2) TEU to determine the existence of a breach of the rule of law require a unanimous decision by the European Council, whereas decisions under the Budgetary Conditionality Regulation can be taken by a qualified majority in the Council. On 21 February 2024, the new Polish government presented an action plan[182] for restoring the rule of law and exiting the Article 7 procedure at a meeting of the General Affairs Council.

6.6 Future reforms in the area of democratic and budgetary scrutiny

The ability of the European Parliament to control the executive and scrutinise the implementation of the budget has increased significantly over the past decades. However, it is still hampered by the fact that the executive authority of the EU is widely dispersed – with broad and cross-cutting responsibilities shared between the Commission, independent agencies and other entities and the Member States' administrations.

To improve transparency and strengthen democratic and budgetary scrutiny of the EU executive, the Conference of Presidents (CoP) of the European Parliament adopted several reform proposals in December 2023.[183]

On 10 April 2024, Parliament approved the report implementing the recommendations by the Parliamentary reform group 'Parliament 2024', [184] as endorsed by the CoP. The recommendations focus on three main areas: streamlined legislative work with fewer conflicts of competence among committees; special scrutiny hearings and ad hoc plenary sessions to quiz the Commission, and strengthened confirmation hearings of Commissioners-designate; and an upgraded focus on the EU

181 European Parliament resolution of 5 May 2022 on ongoing hearings under Article 7(1) TEU regarding Poland and Hungary (2022/2647(RSP)).

182 Polish Action Plan for restoring the rule of law.

183 Minutes of the Conference of Presidents of 7 December 2023, PV CPG 07.12.2023.

184 European Parliament decision of 10 April 2024 on amendments to Parliament's Rules of Procedure implementing the parliamentary reform 'Parliament 2024' (2024/2000(REG)).

budget, discharge and legislation, with targeted assessments for all legislative proposals affecting the budget.

Parliament will be strengthened as an inter-institutional player by combining its legislative and budgetary powers to achieve better overall negotiating outcomes. The cooperation of Parliament's Committee on Budgets (BUDG) with legislative committees when acting horizontally as budgetary authority by delegation is clarified in the new Rule 56a.

The new Rule 56a provides for a budgetary assessment of proposals for legally binding acts with budgetary implications: 'Where a proposal for a legally binding act has implications for the Union budget, that proposal shall be referred (…) to the committee responsible for budgetary issues. That committee shall then issue a budgetary assessment.' In the budgetary assessment, the committee responsible for budgetary issues 'shall examine whether the proposal (…) provides for sufficient financial and human resources, and evaluate the potential impact of the financing proposed on other Union programmes or policies'. It shall also 'determine whether the proposal is compatible with the multiannual financial framework, the system of own resources and the corresponding interinstitutional agreement (IIA), as well as (…) the Financial Regulation'. The assessment by the BUDG Committee shall include whether the proposal is compatible with Parliament's position on the MFF, the system of own resources, or other budgetary principles. No amendments of this budgetary assessment by the committee responsible for the subject matter shall be admissible: 'The budgetary assessment, including amendments, shall be integrated into the report as such.' Close cooperation between both committees throughout the legislative process is required 'to ensure full consistency between policy and budgetary objectives'. This new rule will ensure that Parliament can use its legislative and budgetary powers as effectively as possible and can achieve better negotiating outcomes through mutual leverage and increased negotiating mass.

Parliament is expected to use existing budgetary powers to support legislative initiatives and Parliament's priorities. The new paragraph 4 of Rule 47 of the Rules of Procedure introduces new rules for requests to the Commission for submission of proposals: 'The committee responsible for budgetary issues may provide the committee responsible for the subject-matter with an opinion on the potential financial implications of the proposal. It shall provide such an opinion if so requested by the committee responsible for the subject-matter (…) without undue delay.'

In accordance with the new Rule 135a, special scrutiny hearings can be convened by the CoP in order to question one or more Commissioners on an issue of major political importance. As a rule, once per part-session, a special scrutiny session shall be held with the President of the Commission or selected Commissioners without a pre-defined theme (Rule 137 – paragraph 2a (new)).

The new interpretation of Rule 99 will widen the scope of the discharge procedure; discharge of the Commission will include non-traditionally financed instruments, off-budget instruments and performance-based hybrid instruments. Since such instruments require a special control framework, the committee responsible for discharge has to be systematically associated with the consideration of those instruments in accordance with Rule 56. Particularly in new hybrid performance-based programmes, such as programmes financed with funds raised from the markets like the RRF or the Ukraine Facility, the traditional 'default' discharge approach was not suitable. To facilitate budgetary control and scrutiny of such programmes, the CONT Committee should be involved in the preparation of the new legislation, with the role of making it 'discharge-proof' by providing ex-ante advice on issues relevant for ensuring effective ex-post control.

Pursuant to the decision of the CoP in December 2023,[185] Parliament should use untapped potential for the budget and discharge authority under the current Treaties, combining different options for exerting political pressure, with varied degrees of 'assertiveness' to be assessed case by case, such as:

- putting appropriations in reserve;
- rejecting, delaying or modifying an amending budget, transfer or any other budgetary decision;
- making better use of the possibility to draw up reports at any stage of the budget and discharge procedure to convey important institutional messages;
- refusing to grant discharge;
- withholding consent to an MFF.

The administrative capacity of Parliament as the budgetary and the discharge authority should be enhanced in an appropriate manner to cover the main needs for 'Parliament-owned' expertise and special skills such as capabilities in research and data collection, digital, IT and knowledge management, data science and strategic analysis, as well as communication and promotion.

185 Contexte, Le détail du projet de réforme du Parlement européen, Briefing Pouvoirs, 13 December 2023.

7 EU budget revenues: reform of the own resources system

The Treaty on the Functioning of the European Union establishes that the EU budget is financed through EU own resources. The size of the EU budget is determined by the expenditure ceilings of the MFF, but, more fundamentally, it depends on the EU countries' willingness to contribute to it on the revenue side, i.e. own resources. The budget is funded by different types of own resources – GNI-based contributions, traditional own resources, VAT-based contributions, other revenues and, since 2021, a new statistical own resource on non-recycled plastic waste.

The 2021-2027 MFF came in a package that included Next Generation EU (NGEU). Although NGEU is a borrowing scheme that is not subject to the annual budget procedure, the payment of interest rates is part of the current EU budget and the actual repayment of this debt will be part of the EU budget after 2027. Therefore, the 2021-2027 MFF-NGEU package was linked to the introduction of a new and additional Own Resources Decision and a related Interinstitutional Agreement (IIA) for further reforms of the own resources system. The new own resources should: raise enough revenue to repay the grant component of NGEU and its borrowing costs; be linked to EU policies and objectives; and contribute to fair taxation and the fight against tax fraud and tax evasion.

Although the roadmap has not been followed precisely as initially adopted, proposals for new own resources have been tabled by the European Commission. On 22 December 2021, the Commission proposed the first basket of new own resources. It comprised revenues deriving from an extended emissions trading scheme (ETS), a carbon border adjustment mechanism (CBAM), and a share of the reallocated profits of very large multinational companies based on Pillar 1 of the OECD/G20 agreement. On 20 June 2023, the Commission put forward an adjusted package for the next generation of own resources, which amends and completes the previous proposal. These proposals have met with support from the European Parliament, but are yet to be adopted by the Council.

7.1 Decision making and implementation of own resources

The European Parliament and the Council are the two branches of the budgetary authority of the EU and they establish the main elements of the budget. However, they play different roles, depending on the procedure at stake. The decision on own resources, which comprises the categories and call rates for own resources as well as the own resources ceilings for payments and commitments, follows the procedure outlined in Figure 20.

This is one of the few legislative procedures in the EU that involves ratification by all Member States in addition to a unanimous decision taken by their representatives in the Council. As a result, the decision on own resources is an atypical decision similar to a primary EU law that is not exclusively attributable to EU law due to the interaction of Union institutions and Member States in the adoption of the decision.[186]

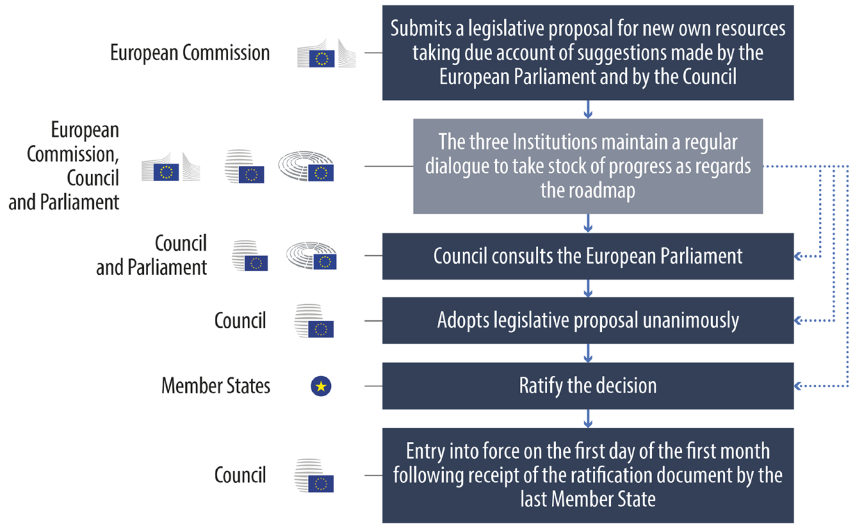
The legal basis for the EU own resources system is Article 311 of the Treaty on the Functioning of the European Union (TFEU) and Article 106a of the Treaty establishing the European Atomic Energy

186 C. Waldhoff, AEUV Artikel 311 section 29, in: C. Calliess and M. Ruffert (eds.), EUV - AEUV - Das Verfassungsrecht der Europäischen Union mit Europäischer Grundrechtecharta, 6th edition, 2022.

Community. The Treaty of Lisbon reiterated that, without prejudice to other revenue, the budget should be financed wholly from own resources, and maintained the power of the Council, after consulting Parliament, to act unanimously to adopt a decision on the Union's system of own resources, to establish new categories of own resources and abolish existing ones. It confirmed the requirement for ratification by all Member States. In addition, it established the principle whereby the Council can only adopt certain implementing measures for those decisions with the consent of Parliament.

In practice, the size of the EU budget depends heavily on the EU countries' willingness to contribute to it on the revenue side, i.e. through the adoption of the own resources system, and the political decision to commit funds to particular policies on the expenditure side.[187]

Figure 20– Procedure to change the own resources system



Data source: Article 311 TFEU and IIA on budgetary matters, 16 December 2020.

In accordance with Article 310(1) TFEU, 'revenue and expenditure shown in the budget shall be in balance'. Generally, this meant that the principle of budgetary equilibrium in EU law was not only to be understood formally in accounting terms, as in the budgets of the Member States; the principle of equilibrium in EU law is interpreted by some to mean a general prohibition of debt on the EU level. As the EU cannot secure its financing through its own direct taxation, unlike its Member States, but is dependent on 'own resources', there are persistent arguments that the EU Treaties actually prohibit debts on the EU level.[188] The Commission is of the opinion that 'The Union, unlike its Member States, is not allowed to borrow to cover its expenditure and cannot raise loans within the framework of the budget'.[189]

[187] Dobreva A., Public opinion and EU policies: exploring the expectations gap, EPRS, European Parliament, 2016.

[188] C. Waldhoff, AEUV Artikel 310 sections 5, 6, in: C. Calliess and M. Ruffert (eds.), EUV - AEUV - Das Verfassungsrecht der Europäischen Union mit Europäischer Grundrechtecharta, 6th edition, 2022.

[189] European Commission, European Union Public Finance, 5th edition, 2014, p. 160.

With the arrival of NGEU, a debate has opened up on the limits of debt financing for the EU – inside and outside its budget.[190] The Commission continues to defend the position that Article 310 TFEU prohibits borrowing to finance the EU budget,[191] but it argues that the borrowing for NGEU takes place outside the EU budget. The newly adopted Own Resources Decision would guarantee the financial means needed for the repayment of these debts from within the budget. The Commission argues that the financial space created by the higher own resources ceiling would allow the Union to engage in an 'extraordinary and one-off borrowing operation'.

However, the repayment of these debts from the EU budget raises the underlying issue of borrowing without concurrent taxation rights in a new and intensified form. Even if the Own Resources Decision provides additional financial means to the Member States, they have to agree unanimously to actually use those means in the framework of the future MFF. The introduction of additional new own resources, as politically agreed in the IIA, is even more challenging: The Council needs to vote unanimously, and subsequently Member States have to ratify that decision in accordance with their national rules.

As the EU budget is legally not allowed to run into a deficit, the agreement on the total budget available for the EU to execute its policies includes the Member States' commitment and obligation to ensure sufficient funding. Consequently, in its resolution on the reflection paper on the future of EU finances, the European Parliament stresses that the introduction of additional political priorities should be coupled with additional financial means and not be financed to the detriment of existing EU policies. Parliament managed to achieve the commitment of the Council and the Commission in the IIA on a roadmap towards new own resources that the 'expenditure from the Union budget related to the repayment of the European Union Recovery Instrument should not lead to an undue reduction in programme expenditure or investment instruments under the MFF'.[192]

In its resolution on the 2021-2027 MFF and own resources, Parliament states that the 2014-2020 MFF had proven to be inadequate to finance the EU's pressing needs and political priorities. Especially during external shocks such as those linked to the euro, migration, and the coronavirus pandemic, there have been increased expectations and pressure for the EU to act and spend resources beyond its budget ceilings. These have been major arguments behind the longstanding debates on introducing new own resources to the EU budget.

Decision-making on EU own resources, as on expenditure, has been dominated by the net balances debate. Due to the close connection with this debate, it is widely expected that the Member States will integrate a new own resources decision into the decision on the next MFF starting in 2028. The framework of the new MFF will allow Member States to balance any effects of new own resources on net balances, but such timing raises concerns about the timeliness of the introduction of the new own resources.

However, the focus on net positions and national envelopes rather than benefits beyond direct payments is rather limited, even from a purely economic perspective. Calculating redistribution in the EU based exclusively on the EU budget falls short of taking into account other economic benefits

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[190] S. Grund and A. Steinbach, European Union Debt Financing, Leeway and Barriers from a Legal Perspective, Bruegel Working Paper, 12 September 2023; Opinion of the Legal Service on Proposals on Next Generation EU, Council of the European Union, 24 June 2020.

[191] European Commission, Q&A: Next Generation EU – Legal Construction, 9 June 2020.

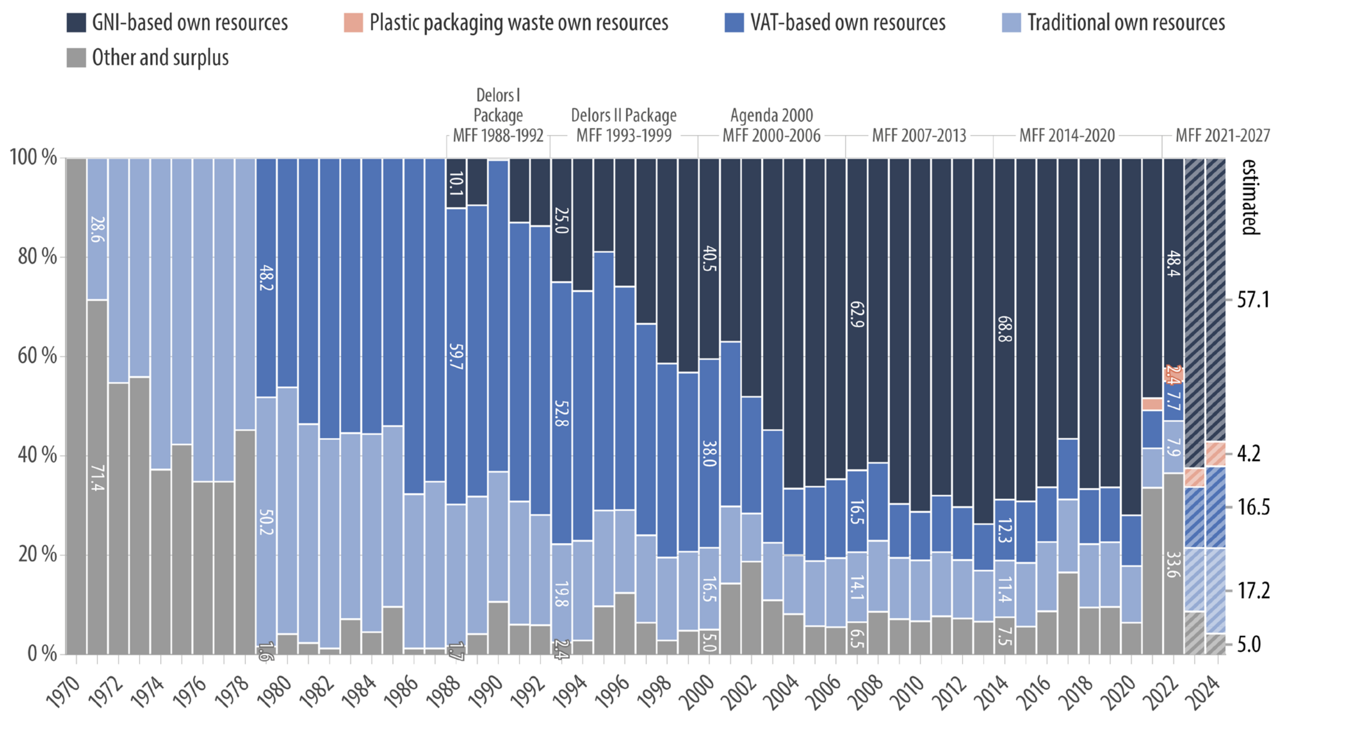
[192] Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433I, 22.12.2020, p. 28).

that Member States enjoy.[193] Participation in the single market is just one of them. In addition, NGEU and the use of borrowed funds have changed the net balance debate and made it even more impractical to calculate and evaluate the impact and benefits.

Ideas for reform include making the contribution of taxpayers to the EU budget more visible by showing an EU VAT share on receipts; and increasing the power of the European Parliament in determining the structure of EU expenditure by limiting the MFF to the overall size of the EU budget, while the distribution of expenditure between the different headings would be determined annually.[194] Other reform ideas are to set a target, to be agreed by the institutions, for a substantially higher share of 'genuine' own resources, so that they substitute for much of the GNI resource, in total revenue.[195] The institutions should agree on binding dates to achieve this, while retaining a smaller GNI-based own resource to assure balance.

7.2 Types of own resource

Figure 21– Revenue sources of the EU budget, share of total per year



Source: EPRS, based on European Commission data.

The EU budget is funded by different types of EU own resource. The Own Resources Decision of 21 April 1970 provided the European Economic Community (EEC) with its own resources. Currently, the general provisions for the EU's financing system are set out in Council Decision (EU, Euratom) 2020/2053, according to which the own resources ceiling for payments for each year is

193 M. Kullas, M. Dauner, U. Pötzsch and I. Hohmann, Redistribution between the EU Member States – Winners and losers of European transfers, cepStudy, September 2016.

194 C. Fuest, F. Heinemann and M. Ungerer, Reforming the Financing of the European Union: A Proposal, ZEW Policy Brief, May 2015.

195 I. Begg, J. Le Cacheux et al., Options for a stronger and more agile EU budget, Policy Department for Budgetary Affairs, European Parliament, October 2023.

1.40 % of the EU's GNI. The own resources ceiling for payments has been temporarily increased to 2 % for the sole purpose of covering all liabilities of the Union resulting from the borrowing for NGEU until all such liabilities have ceased to exist, and at the latest by 31 December 2058. As seen in Figure 21, the main categories of revenue financing the EU budget are a GNI-based resource, traditional own resources, a VAT-based resource, other revenues and, since 2021, a new statistical own resource on non-recycled plastic waste.

The share of the different types of own resource changes over time. The share of traditional own resources has decreased for many years and the nominal increase in the EU budget has resulted in the increase in GNI-based contributions.

Over time, mechanisms have been introduced to correct what have been perceived as excessive contributions by certain countries. The 'UK rebate' agreed in 1984 reduced the United Kingdom's contribution and was financed by all other Member States. The calculations and types of rebate have changed over the years. Although the UK rebate no longer applies, lump sum corrections continue to reduce the GNI-based contributions of five Member States for the 2021 to 2027 period: Denmark, Germany, the Netherlands, Austria and Sweden.

7.2.1 Traditional own resources

Traditional own resources are mainly customs duties on imports to the EU, agricultural duties and sugar levies collected since 1970. As of 1 January 2021, countries retain 25 % of the duties collected to cover their collection costs instead of 20 %. Since the EU is a customs union with no duties levied on trade within the EU, this is indeed a natural source of funding for the EU as a whole.

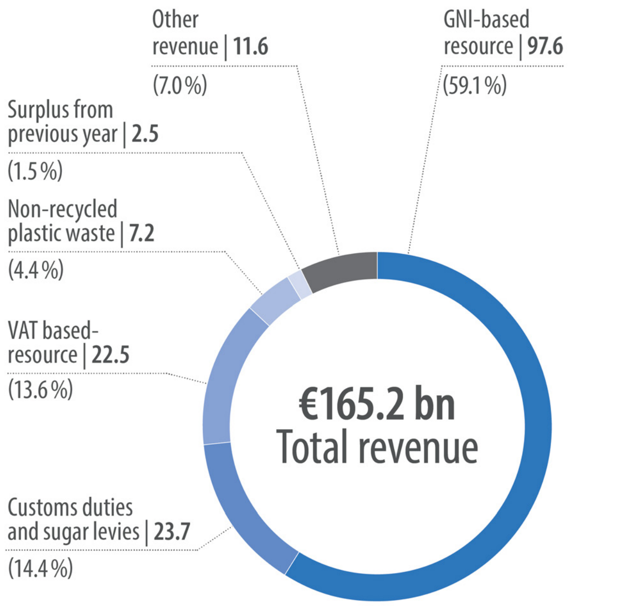
7.2.2 VAT-based own resources

The VAT-based own resources are Member States' contributions based on a harmonised measure of consumer spending (the size of countries' hypothetical VAT base if they followed standard EU rules for defining their VAT base). This formula carries the message of plans from the past to turn VAT into an EU-wide harmonised tax. This own resource is rather complex and non-transparent for the public. A rate of 0.3 % applies to each EU country's harmonised VAT base, which is capped at 50 % of its GNI, and the proceeds are transferred to the EU budget.

7.2.3 GNI-based own resources

The GNI-based own resource is a uniform share of Member States' annual GNI, the call rate for which is set each year in the context of the annual budgetary procedure. These contributions are dynamic and considered to be 'fair' in as far as they are always aligned with economic cycles by means of applying a uniform call rate to a base (GNI per Member State), a statistical aggregate that is constantly measured and adjusted.

Figure 22 – EU revenue in 2023 (in million €)



Data source: Draft amending budget 1/2023, European Commission.

This own resource was established by Council Decision 88/376/EEC as revenue to be collected only if needed. The GNI-based resource plays a role in balancing the budget, financing the annual expenditure not covered by the other types of own resource and revenue. Its call rate therefore changes every year, so that overall revenue matches the agreed level of payments. Despite being introduced as a residual element, the GNI-based resource has, over time, become the own resource with the largest share in the overall mix.

7.2.4 Other revenues

Other revenues include taxes paid by EU staff on their salaries, contributions from non-EU countries to certain EU programmes, remaining contributions by the United Kingdom, interest on late payments and fines on companies for breaching competition law or other laws, and other revenue, balances and technical adjustments. If there is a surplus, the balance from each financial year is entered in the budget for the following year as revenue. This category of revenue has fluctuated widely in recent years, making up around 2 % to 8 % of total revenue.

Even though the UK's withdrawal from the EU happened in 2020, a sizeable portion of the payments to the EU that the UK had committed prior to its withdrawal were of a multiannual nature and have only become payable after 2020. Moreover, relevant UK legal commitments concern not only the 2014-2020 MFF but also earlier ones. This holds true, for instance, for liabilities linked to pensions and the related benefits of retired EU staff. The settlement of the UK's financial obligations towards the EU is set out in the withdrawal agreement of 12 November 2019.[1]

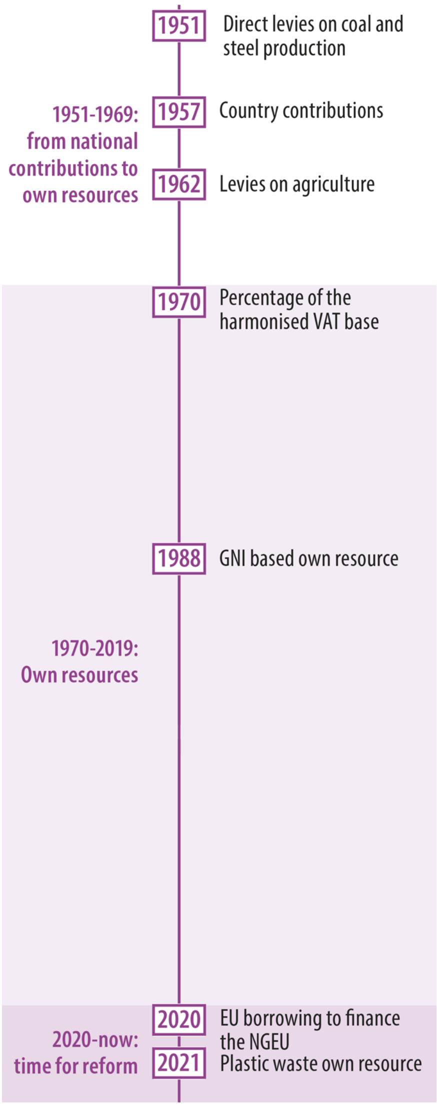
7.2.5 New statistical own resource on recycled plastic

When adopting the 2021-2027 MFF, the EU agreed to add a new own resource – a statistical own resource on recycled plastic, which was introduced on 1 January 2021 in accordance with the Packaging and Packaging Waste Directive (Directive 94/62/ECC) and its Implementing Decision (Decision (EU) 2019/665). The plastic own resource is calculated on the basis of Eurostat data regarding non-recycled plastic packaging waste. It is a national contribution based on the quantity of non-recycled plastic packaging waste, with a uniform call rate of €0.80 per kilogram. The contributions of Member States with a GNI per capita below the EU average are reduced by an annual sum corresponding to 3.8 kilograms of plastic waste per capita. The revenue from this resource is estimated at around 3 % to 4 % of the EU budget, contributing €5.8 billion in its first year.[196] However, in 2023 it accounted for more than €7 billion.

7.3 State of play of the own resources system – reform and outlook

The own resources system of the EU budget has hardly changed since 1988, when the GNI-based resource was introduced, despite the significant changes on the expenditure side during this period. The requirement for unanimity in the Council and the subsequent mandatory ratification of amendments by all EU countries pose a major challenge to any reform of the system. The fact that the EU budget is currently financed mainly by own resources based on GNI and VAT, which are seen by some as national contributions, is often thought to hinder budgetary reform and exacerbate the focus of negotiations on budgetary net balances. The adoption of new own resources could lead the way to considering avenues for broader reform of the EU budget.[197]

Figure 23 – Development of EU own resources system



Data source: EPRS.

Since the 1990s, Parliament has called repeatedly for in-depth reform of the system, aiming for an ambitious and balanced basket of new EU own resources that is more closely linked to EU policies and objectives, a reduction in the share of the GNI-based resource in the revenue mix, the elimination of all correction mechanisms, and the creation of a reserve for unexpected and additional needs.

Parliament was dissatisfied with the outcome of the own resources reform proposal package of 2011 for an own resources system, and subsequently secured the forming of an interinstitutional high-level group to be tasked with a thorough review of the own resources system (HLGOR). In January 2017, the HLGOR ('Monti group') presented its final report, requesting that the package: focus on reforming the revenue and expenditure sides in parallel, and on areas bringing the highest European added value; introduce a variety of new own resources mainly linked directly to EU policies; and abolish all correction mechanisms ('rebates'). Based

196 Consolidated annual accounts of the European Union – Financial year 2021, European Commission, June 2022.

197 F. Jones, Financing the European Union, EPRS, European Parliament, 2020.

on the HLGOR report and the subsequent 'Reflection paper on the future of EU finances', on 2 May 2018 the Commission proposed a basket of new own resources, but this did not gain the necessary unanimous support in the Council, except for the introduction of the statistical own resource based on non-recycled plastic waste.

A new stage, moving towards the reform of the own resources system, started with the 2021-2027 MFF negotiations and, as part of the package, the creation of an EU-level instrument, NGEU, to tackle the economic consequences of the COVID-19 pandemic. To avoid a deficit as a result of introducing NGEU, the Commission was authorised on an exceptional and temporary basis to borrow up to €750 billion (in 2018 prices) on capital markets for the financing of the grants and loans provided by NGEU (see further details on borrowing in Chapter 5). Although NGEU is not subject to the annual budget procedure, the payment of interest rates is part of the current EU budget and the actual repayment of this borrowing will be part of the EU budget after 2027. All the borrowed funds have to be repaid at the latest by 31 December 2058.

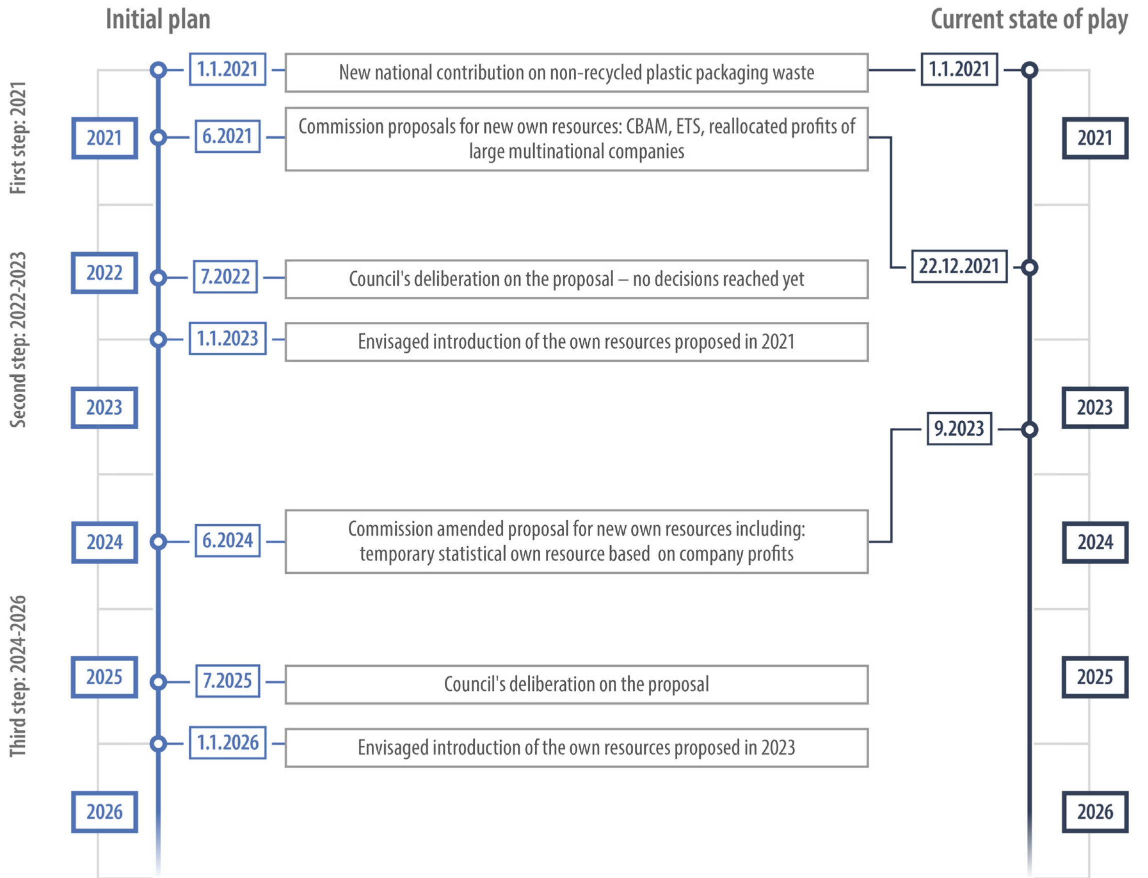
The 2021-2027 MFF-NGEU package was linked to the Own Resources Decision, which was ratified by all 27 Member States by 31 May 2021 and entered into force in June 2021. This first step in the own resources reform was necessary to allow NGEU to come into force, and increase the own resources ceiling from 1.4 % GNI for payments to 2 % GNI. At that time, the first new own resource since the 1980s was introduced – a contribution based on non-recycled plastic packaging waste, which was introduced as of 1 January 2021. A related Interinstitutional Agreement was reached, setting out steps for further reforms to the own resources system in a legally binding roadmap (see Figure 24 below).[198] Under the guiding principles agreed for the reform set out in the roadmap of the IIA, new own resources should: raise enough revenue to repay the grant component of NGEU and its borrowing costs; be linked to EU policies and objectives,[199] such as the fight against climate change, the circular economy, and 'a Europe fit for the digital age'; and contribute to fair taxation and the fight against tax fraud and tax evasion.

[198] European Parliament decision of 16 December 2020 on the conclusion of an Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources.

[199] In line with the High-Level Group on Own Resources' recommendations that the revenue side of the budget should contribute to achieving EU policy objectives.

The roadmap in the IIA includes a timetable for the envisaged introduction of new own resources in three steps, on top of the new contribution based on plastic waste, by 2026. Although the roadmap has not been followed precisely as initially adopted (Figure 24 shows the current state of play), proposals for new own resources have been tabled by the European Commission.

Figure 24 – Roadmap for the introduction of new own resources



Data source: IIA on budgetary matters, 16 December 2020.

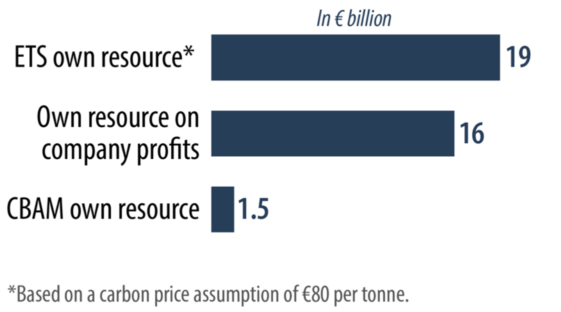
The Commission proposals seek to secure the necessary resources to cover new budgetary expenditure without limiting the funding of the existing programmes and long-term MFF commitments. Upcoming additional expenditure includes repayment of the cost of the debt arising from the €750 billion grant component of the NGEU. Moreover, Russia's war of aggression against Ukraine has necessitated a further increase in funds in support of Ukraine, its recovery and its EU accession through the €50 billion Ukraine Facility Regulation (EU) 2024/792.[200]

On 22 December 2021, six months later than initially scheduled in the roadmap, the Commission proposed the first basket of new own resources. It comprised revenues deriving from an extended emissions trading scheme (ETS), a carbon border adjustment mechanism (CBAM), and a share of the

200 Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024). See also: T. Peters, Establishing the Ukraine Facility, EPRS, European Parliament, March 2024.

reallocated profits of very large multinational companies based on Pillar 1 of the OECD/G20 agreement. The proposal was to introduce the new own resources gradually as of 1 January 2023.[201]

Figure 25 – Expected revenues from the proposed new own resources



Data source: An adjusted package for the next generation of own resources, 20 June 2023.

A second proposal was scheduled for June 2024, but the Commission submitted it a year early. In 2023, the Commission put forward an adjusted package for the next generation of own resources. Instead of proposing a new basket of own resources, the proposal simply amends the previous proposal and completes the Commission's proposal for a next generation of own resources. The Commission proposes to increase the call rate for the ETS-based own resource to 30 % from all revenues generated by EU emissions trading, up from the 25 % originally proposed, and to encompass proceeds from the new sectors within the scope of the scheme, such as maritime transport, buildings and road transport.

In addition, the proposal introduces a temporary statistical own resource based on company profits. This is designed as a national contribution paid by Member States, based on statistics under the European system of accounts, with a call rate of 0.5 % to be applied on the gross operating surplus. This own resource will eventually be replaced by a possible contribution from the Business in Europe: Framework for Income Taxation (BEFIT), once it has been adopted.

The timeline for the entry into force of the new own resources has been updated and the previous date of 1 January 2023 has been amended to 1 January 2024. To fulfil this timeline, the proposal will feed into negotiations with the Member States in the Council, and the Commission has called on the Council to accelerate these negotiations. The proposed revision of the Own Resources Decision has to be adopted unanimously in the Council, after consulting the European Parliament, although the Council is not obliged to follow Parliament's opinion. The Decision can only enter into force once it is ratified by all EU Member States in line with their constitutional requirements.

On 23 November 2022, Parliament adopted a legislative resolution[202] approving the 2021 proposal for a Council decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the EU. In May 2023, Parliament passed a resolution, based on an own-initiative report of the Committee on Budgets, that calls for an assessment of the reform process so far, and proposes fresh ideas for additional revenue sources such as a tax on crypto assets. The resolution was followed by the amended Commission proposal, which is subject to a formal reconsultation of Parliament. On 9 November 2023, Parliament debated and voted a legislative resolution approving the amended Commission proposal. It calls on the Commission to alter its proposal according to Parliament's amendments and on the Council to swiftly adopt the amended own resources decision.

[201] For further details on the proposal, see A. Dobreva, System of own resources of the European Union, EPRS, European Parliament, 2023, and M. Schratzenstaller et al., New EU own resources: possibilities and limitations of steering effects and sectoral policy co-benefits, Policy Department for Budgetary Affairs, European Parliament, March 2022.

[202] European Parliament resolution of 23 November 2022 on the proposal for a Council decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union.

The Council has started examining the Commission proposals at working party level, but significant progress has not yet been made. In a media interview, Belgian Prime Minister Alexander De Croo, whose country holds the rotating presidency of the Council of the European Union in the first half of 2024, explained his position that the EU needs more of its own money since it is being asked to tackle an increasing number of major challenges.[203]

Any delays to the IIA roadmap raise concerns regarding the timely implementation of the new own resources system. If sufficient new own resources are not added to the EU budget by 2028, when repayments on the principal of NGEU debt will start, the EU could face the dilemma of either needing to reduce spending on its long-term priorities and significantly reforming the expenditure side of the budget, or to increase the GNI-based own resource. Another consequence of insufficient new funding could be a reduced capacity to respond to new policy challenges or unforeseen shocks that affect all EU citizens.

Box 6 – Profits from frozen Russian assets for the benefit of Ukraine

At the time of the Russian invasion of Ukraine on 24 February 2022, very large amounts of assets and revenues estimated at about €260 billion were withheld from the Central Bank of Russia by various financial institutions in the EU and other partners. Within a short period of time, the EU, together with international partners, decided to immobilise or 'freeze' these assets. Some of the immobilised assets are in Central Securities Depositories, which, under normal circumstances, do not keep securities in their account longer than a few hours. Under the special circumstances, they have to deposit those frozen assets in central banks, which creates exceptional revenues.

On 12 February 2024, the Council decided to set aside extraordinary revenues, and on 28 February 2024 the Commission debated seizing profits on Russian assets. There is a possibility for these profits – but not the assets, which are immobilised – to be treated as a legitimate source of EU own resources, as they exist only because of the EU decision on immobilisation. However, such potential resources would be quite distinct in their nature, and would be earmarked for Ukraine.

Revenues generated from the frozen Russian assets are around €2.5-3.0 billion in 2024, depending on interest rates. Similar revenues are likely to be generated on a yearly basis, again depending on interest rates. Currently, these revenues are taxed as corporate profits by the competent Member States.

The Commission has proposed that parts of the revenues in 2024 be devoted to financing military support for Ukraine through the European Peace Facility or other instruments outside the EU budget. The proceeds of the seized profits on frozen Russian assets would also be used as external assigned revenue to finance Ukraine's recovery through the Ukraine Facility. However, there remain many legal uncertainties and barriers that need to be clarified and worked out before dealing with the immobilised Russian assets and the revenues they generate.

Source: European Commission, Factsheet on Use of Extraordinary Revenue from Russian Sovereign Assets, March 2024.

[203] Europe needs more cash, Belgian PM says, Politico, 2 January 2024.

8 Annexes

Annex 1a – EU spending allocation by Member State in 2022 (€ million)

Heading	1	2	3	4	5	6	7	Outside the MFF		
€ million	Single Market, Innovation and Digital	Cohesion, Resilience and Values	Natural Resources and Environment	Migration and Border Management	Security and Defence	Neighbourhood and the World	European Public Administration	Non-thematic special instruments	Thematic special instruments	Total expenditure
BE	1 928.9	1 313.9	819.9	250.7	95.8	584.5	6 006.6	0.0	211.8	11 212.2
BG	101.5	1 087.0	1 064.1	50.9	7.2	15.7	8.9	0.0	8.4	2 343.7
CZ	203.7	3 814.0	1 220.6	14.9	17.9	6.0	17.7	0.0	0.0	5 294.6
DK	720.2	228.9	977.3	13.5	2.7	14.5	78.4	0.0	150.7	2 186.1
DE	2 830.6	3 739.8	6 382.3	332.6	162.9	68.0	289.1	0.0	354.2	14 159.6
EE	105.0	739.0	304.1	65.5	16.6	4.5	14.8	0.0	3.6	1 253.0
IE	241.4	158.2	1 565.1	9.2	6.6	5.4	78.1	0.0	276.7	2 340.6
EL	397.0	1 965.2	2 953.5	409.6	34.8	27.7	39.4	0.0	24.0	5 851.2
ES	1 558.8	5 070.4	6 949.5	235.1	63.9	58.3	152.8	0.0	159.8	14 248.4
FR	2 957.9	2 955.3	9 499.3	207.8	142.5	128.1	508.3	0.0	493.1	16 892.3
HR	44.9	1 212.4	711.5	41.6	8.3	24.7	12.2	0.0	3.9	2 059.6
IT	1 939.8	6 295.2	5 649.0	216.4	95.9	77.5	238.9	0.0	34.8	14 592.5
CY	135.7	188.6	73.1	51.6	3.6	1.2	5.8	0.0	28.5	488.2
LV	67.1	807.9	446.3	30.6	7.5	1.9	7.8	0.0	6.0	1 357.2
LT	78.8	1 259.8	789.8	56.7	70.9	5.3	15.7	0.0	6.7	2 283.7
LU	662.0	184.5	83.6	32.5	10.8	23.2	1 841.3	0.0	1.8	2 839.7
HU	96.3	3 953.8	1 900.2	31.5	16.0	23.5	9.5	0.0	31.3	6 062.1
MT	17.5	120.9	19.1	69.8	3.2	0.7	8.8	0.0	24.3	264.4
NL	1 327.1	447.4	879.4	77.9	157.4	30.8	100.6	0.0	490.3	3 510.8
AT	509.2	484.1	1 138.3	51.7	10.9	14.5	41.3	0.0	16.0	2 265.8
PL	406.3	12 543.2	4 862.0	323.8	37.0	18.8	32.9	0.0	95.1	18 319.0
PT	322.6	3 339.4	1 419.5	50.8	28.9	8.7	59.9	0.0	44.6	5 274.4
RO	99.6	5 051.0	2 862.8	52.8	17.5	35.2	19.2	0.0	23.6	8 161.9
SI	133.9	485.8	276.7	22.4	11.8	2.0	11.7	0.0	0.0	944.3
SK	53.5	2 492.6	561.1	11.7	16.7	5.5	15.9	0.0	19.9	3 176.9
FI	433.4	279.3	926.2	42.0	22.6	12.9	56.7	0.0	0.0	1 773.1
SE	479.8	450.7	963.1	60.0	40.6	8.3	46.6	0.0	75.3	2 124.4

Heading	1	2	3	4	5	6	7	Outside the MFF		
€ million	**Single Market, Innovation and Digital**	**Cohesion, Resilience and Values**	**Natural Resources and Environment**	**Migration and Border Management**	**Security and Defence**	**Neighbourhood and the World**	**European Public Administration**	**Non-thematic special instruments**	**Thematic special instruments**	**Total expenditure**
EU-27	17 852.7	60 668.4	55 342.2	2 813.8	1 110.6	1 207.2	9 718.6	0.0	2 584.3	151 297.8
Earmarked*	1 441.2	4 575.1	985.0	49.4	19.0	440.3	792.3	72.5	5.5	8 380.3
Other	1 234.0	228.2	33.0	3.4	1.2	1 647.0	650.3	0.0	0.0	3 797.0
Non-EU	1 516.8	2 182.1	504.6	501.1	23.6	11 226.8	422.1	0.0	12.0	16 389.1
Total*	22 044.7	67 653.8	56 864.8	3 367.6	1 154.4	14 521.3	11 583.3	72.5	2 601.8	179 864.2
NGEU	3 129.2	58 916.0	1 411.3	0.0	0.0	0.0	0.0	0.0	0.0	63 456.5
Total	25 173.9	126 569.8	58 276.1	3 367.6	1 154.4	14 521.3	11 583.3	72.5	2 601.8	243 320.7

(*) Excluding Next Generation EU (NGEU).
Data source: EU spending and revenue 2021-2027 (rounded figures), European Commission.

Annex 1b – NGEU spending allocation by Member State in 2022 (€ million)

Heading	1	2	3	
€ million	**Single market. innovation and digital**	**Cohesion. resilience and values**	**Natural resources and environment**	**Total**
BE	131.8	45.8	18.4	196.0
BG	3.6	1 652.7	5.6	1 662.0
CZ	12.3	381.2	53.0	446.5
DK	54.1	13.6	1.0	68.7
DE	251.4	340.9	94.6	686.9
EE	10.7	151.8	10.4	172.9
IE	52.1	5.4	30.1	87.6
EL	87.7	2 491.6	13.8	2 593.1
ES	230.6	15 006.5	45.1	15 282.2
FR	269.2	7 854.4	121.0	8 244.6
HR	3.1	1 449.5	41.0	1 493.6
IT	173.2	22 139.1	101.6	22 413.8
CY	12.4	141.8	4.6	158.8
LV	2.2	227.7	10.0	239.9
LT	8.5	251.1	44.5	304.1
LU	48.6	30.9	5.7	85.2
HU	6.5	530.1	96.0	632.6
MT	2.1	51.3	0.5	53.9
NL	147.9	49.2	6.2	203.3
AT	51.8	99.5	217.7	369.0
PL	21.8	1 194.0	38.5	1 254.3
PT	39.0	1 051.2	94.2	1 184.4
RO	15.7	2 555.8	162.3	2 733.8
SI	17.0	39.4	3.0	59.4
SK	3.6	723.1	26.3	753.0
FI	58.1	360.0	83.3	501.4
SE	60.1	30.9	82.8	173.8
EU-27	1 775.2	58 868.5	1 411.3	62 054.9
Other	1 202.9	1.5	0.0	1 204.4
Non-EU	151.1	46.0	0.0	197.1
Total	3 129.2	58 916.0	1 411.3	63 456.4

Data source: EU expenditure and revenue 2021-2027, European Commission.

Annex 2 – Own resources by Member State in 2022 (€ million and % of GNI*)

	VAT-based resources	GNI-based resources	Gross reduction in the annual GNI-based contribution granted to certain Member States	Own resources based on plastic packaging waste not recycled	Total balances and adjustments	Total national contribution		Customs duties and sugar levies	Total own resources	
	1	2	3	4	5	6=1+2+3+4+5	% GNI	7	8=6+7-5	% GNI
BE	680.4	3 636.8	273.3	147.5	2.6	4 740.6	0.86	3 029.6	7 767.6	1.41
BG	110.8	496.1	37.3	44.0	0.4	688.4	0.81	166.2	854.2	1.01
CZ	330.5	1 738.4	130.7	52.0	1.2	2 252.9	0.81	394.9	2 646.6	0.96
DK	417.9	2 444.4	-204.0	110.2	-44.9	2 723.6	0.72	466.1	3.234.6	0.86
DE	4 837.6	26 390.0	-1 793.5	1 377.0	19.0	30 830.1	0.80	4 894.0	35 704.3	0.92
EE	48.5	218.7	16.4	24.0	0.2	307.7	0.85	66.2	373.7	1.03
IE	323.1	2 319.8	174.3	196.7	-22.5	2 991.4	0.60	482.2	3 496.1	0.70
EL	226.0	1 329.7	99.9	69.8	0.9	1 726.4	0.83	690.3	2 415.7	1.16
ES	1 815.2	8 780.5	659.8	498.2	6.2	11 760.0	0.89	2 040.2	13 794.0	1.04
FR	3 619.1	17 943.5	1 348.3	1 305.6	13.2	24 229.7	0.92	2 259.7	26 476.2	1.00
HR	90.6	405.9	30.5	20.0	0.3	547.3	0.82	62.6	609.6	0.91
IT	2 156.0	12 813.4	962.8	793.2	9.3	16 734.8	0.88	2 784.9	19 510.4	1.02
CY	35.3	158.2	11.9	4.3	0.1	209.8	0.78	39.2	249.0	0.92
LV	48.0	235.3	17.7	14.9	0.2	316.0	0.81	66.0	381.9	0.98
LT	69.7	391.4	29.4	12.9	0.3	503.6	0.75	151.6	655.0	0.98
LU	87.1	390.0	29.3	13.3	0.3	519.9	0.67	16.2	535.8	0.69
HU	190.4	1 018.1	76.1	191.2	0.3	1 476.1	0.87	366.6	1 842.5	1.08
MT	19.6	98.2	7.4	8.9	0.1	134.2	0.80	21.4	155.5	0.92
NL	1 245.2	6 181.7	-1 511.7	177.3	4.3	6 096.9	0.65	3 709.2	9 801.8	1.04
AT	598.2	2 901.5	-363.2	154.4	2.1	3 292.9	0.74	288.8	3 579.7	0.80
PL	897.6	4 070.2	305.6	555.0	1.1	5 829.4	0.89	1 350.3	7 178.6	1.09
PT	337.6	1 512.1	113.6	168.1	1.1	2 132.5	0.89	332.0	2 463.4	1.03
RO	251.1	1 768.8	132.9	196.3	1.2	2 350.3	0.82	296.7	2 645.8	0.93
SI	78.7	372.8	28.0	15.2	0.3	494.9	0.84	221.1	715.8	1.21
SK	124.9	704.0	52.9	34.2	0.5	916.5	0.84	115.1	1 031.1	0.94
FI	297.0	1 812.4	136.2	60.2	1.3	2 307.1	0.87	223.1	2 529.0	0.95
SE	729.5	3 748.7	-783.5	92.9	1.1	3 788.7	0.68	642.7	4 430.3	0.79
EU-27	19 665.7	103 880.4	18.6	6 337.3	-0.1	129 901.9	0.82	25 177.1	155 078.3	0.98

	VAT-based resources	GNI-based resources	Gross reduction in the annual GNI-based contribution granted to certain Member States	Own resources based on plastic packaging waste not recycled	Total balances and adjustments	Total national contribution		Customs duties and sugar levies	Total own resources	
	1	2	3	4	5	6=1+2+3+4+5	% GNI	7	8=6+7-5	% GNI
Non-EU**									680.1	
Other revenue									89 506.5	
Balances and adjustments									-0.1	
Total revenue									**245 264.8**	

(*) Gross national income (GNI) figures are based on ESA 2010 (Spring Economic Forecast 2023).
(**) Including the customs duties related to the UK and entered in the EU budget in 2022.
Data source: EU spending and revenue 2021-2027 (rounded amounts), European Commission.

Annex 3 – The EU budget 2023 and 2024

Headings and clusters presented according to the 2021-2027 MFF	2023 budget (incl. ABs 1-4) € million			
	CA	PA	CA	PA
SINGLE MARKET, INNOVATION AND DIGITAL	**21 415.1**	**20 190.3**	**21 493.4**	**20 828.0**
— Cluster 01 – Research and Innovation	**13 296.9**	**12 592.6**	**13 639.1**	**12 701.4**
— Horizon Europe	12 432.9	11 893.4	12 897.1	11 832.8
— Euratom research and training programme	276.5	274.3	281.2	332.6
— International Thermonuclear Experimental Reactor (ITER)	559.8	407.2	436.3	509.2
— Pilot projects and preparatory actions	27.7	17.7	24.5	26.9
— Cluster 02 – European strategic investments	**4 902.7**	**4 390.7**	**4 595.0**	**4 756.1**
— InvestEU Fund	340.7	389.8	347.5	346.7
— Connecting Europe Facility (CEF) – Transport	1 852.5	1 943.5	1 757.3	2 118.8
— Connecting Europe Facility (CEF) – Energy	856.4	720.9	885.4	741.4
— Connecting Europe Facility (CEF) – Digital	289.1	230.0	87.1	151.2
— Digital Europe programme	1 326.9	856.1	1 265.9	1 149.7
— Decentralised agencies	205.4	205.4	213.4	213.4
— Other actions	3.5	3.5		
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	24.0	23.8	24.5	20.5
— Pilot projects and preparatory actions	4.1	17.6	13.8	14.4
— Cluster 03 – Single market	**939.2**	**943.2**	**958.2**	**915.0**
— Single market programme (incl. SMEs)	602.8	615.3	602.3	601.2
— EU anti-fraud programme	24.9	26.4	25.5	23.2
— Cooperation in the field of taxation (FISCALIS)	37.7	36.2	38.4	30.4

— Cooperation in the field of customs (CUSTOMS)	133.1	119.9	135.7	104.8
— Decentralised agencies	125.6	125.6	135.6	135.6
— Other actions	9.7	9.7	9.0	9.0
— Pilot projects and preparatory actions	5.5	10.2	11.8	10.7
— Cluster 04 – Space	**2 276.2**	**2 264.0**	**2 301.1**	**2 455.5**
— European space programme	2 045.1	2 090.7	2 088.3	2 182.6
— Union Secure Connectivity	156.3	98.6	117.4	190.2
— Decentralised agencies	74.8	74.8	78.5	78.5
— Pilot projects and preparatory actions			17.0	4.2
COHESION, RESILIENCE AND VALUES	**70 586.7**	**56 327.9**	**74 560.7**	**33 716.0**
— Of which: under Flexibility Instrument	182.2		1 289.5	
— Of which: under Single Margin Instrument 11(1)(a)	280.0			
Economic, social and territorial cohesion	**62 926.5**	**49 143.7**	**64 665.2**	**24 155.7**
Resilience and values	**7 660.2**	**7 184.2**	**9 895.5**	**9 560.3**
— Cluster 05 – Regional development and cohesion	**46 185.6**	**36 808.0**	**47 916.7**	**17 332.0**
— European Regional Development Fund (ERDF)	38 392.6	26 233.3	39 434.5	13 079.4
— Cohesion Fund (CF)	7 755.9	10 532.7	8 448.0	4 216.0
— Support for the Turkish-Cypriot community	33.6	36.9	34.3	32.0
— Other actions				
— Pilot projects and preparatory actions	3.5	5.1		4.7
— Cluster 06 – Recovery and resilience	**2 637.9**	**2 640.8**	**4 719.9**	**4 654.0**
— European Recovery and Resilience Facility and the Technical Support Instrument	121.1	115.0	123.5	104.7
— Protection of the euro against counterfeiting	0.9	1.2	0.9	1.0
— Financing cost of the European Union Recovery Instrument (EURI)	1 315.8	1 315.8	3 340.0	3 340.0
— Union civil protection mechanism (RescEU)	188.0	312.0	240.3	259.9

— EU4Health	739.3	626.8	753.8	689.1
— Instrument for emergency support within the Union (ESI)		5.9		2.0
— Decentralised agencies	260.9	253.2	249.3	245.5
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	12.0	11.0	12.1	11.8
— Cluster 07 – Investing in people, social cohesion and values	**21 763.2**	**16 879.0**	**21 924.1**	**11 730.0**
— European Social Fund Plus (ESF+)	16 774.5	12 372.5	16 782.8	6 855.6
— Employment and Social Innovation	93.5	95.2	93.5	85.0
— Erasmus+	3 668.5	3 291.6	3 796.1	3 522.1
— European Solidarity Corps (ESC)	144.2	124.1	144.0	138.7
— Creative Europe	332.8	312.5	334.8	365.8
— Justice	42.2	39.8	41.8	38.5
— Citizens, Equality, Rights and Values	215.3	156.6	219.5	225.6
— Decentralised agencies and European Public Prosecutor's Office (EPPO)	271.5	266.3	294.8	286.1
— Other actions	7.9	6.0	7.9	7.0
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	181.2	167.5	183.1	167.0
— Pilot projects and preparatory actions	31.6	47.0	25.8	38.7
NATURAL RESOURCES AND ENVIRONMENT	**57 218.1**	**56 747.5**	**57 338.6**	**54 151.4**
— Of which: Market-related expenditure and direct payments	40 692.2	40 698.2	40 517.3	40 505.5
— Cluster 08 – Agriculture and maritime policy	**54 877.5**	**56 149.0**	**54 944.0**	**53 455.3**
— European Agricultural Guarantee Fund (EAGF)	40 692.2	40 698.2	40 517.3	40 505.5
— European Agricultural Fund for Rural Development (EAFRD)	12 934.7	14 402.2	13 155.8	11 991.9
— European Maritime, Fisheries and Aquaculture Fund (EMFAF)	1 102.8	888.6	1 069.7	780.6
— Sustainable Fisheries Partnership Agreements (SFPA) and Regional Fisheries Management Organisations (RFMO)	116.8	126.4	162.8	142.6
— Decentralised agencies	29.5	29.5	29.9	29.9

— Pilot projects and preparatory actions	1.5	4.1	8.5	4.8
— Cluster 09 – Environment and climate action	**2 340.6**	**598.6**	**2 394.7**	**696.1**
— Programme for environment and climate action (LIFE)	758.4	525.6	764.9	571.4
— Just Transition Fund	1 466.2	2.8	1 489.9	3.3
— Public sector loan facility under the Just Transition Mechanism (JTM)	50.0		50.0	35.0
— Decentralised agencies	56.7	56.7	67.6	67.6
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	4.2	1.6	16.2	7.4
— Pilot projects and preparatory actions	5.2	11.9	6.0	11.5
MIGRATION AND BORDER MANAGEMENT	**3 727.3**	**2 779.4**	**3 892.7**	**3 249.0**
— Cluster 10 – Migration	**1 626.8**	**1 243.1**	**1 677.3**	**1 528.2**
— Asylum, Migration and Integration Fund	1 454.6	1 070.9	1 508.2	1 359.1
— Decentralised agencies	172.2	172.2	169.1	169.1
— Pilot projects and preparatory actions				
— Cluster 11 – Border management	**2 100.5**	**1 536.3**	**2 215.4**	**1 720.8**
— Integrated Border Management Fund (IBMF) – Instrument for border management and visa (BMVI)	956.8	397.0	1 023.1	523.6
— Integrated Border Management Fund (IBMF) – Instrument for financial support for customs control equipment (CCEi)	141.0	71.8	143.8	156.7
— Decentralised agencies	1 002.8	1 067.5	1 048.5	1 040.5
SECURITY AND DEFENCE	**2 116.6**	**1 137.4**	**2 697.1**	**2 035.4**
— Of which: under Flexibility Instrument	170.6		317.2	
— Cluster 12 – Security	**688.7**	**559.0**	**732.8**	**734.4**
— Internal Security Fund (ISF)	309.9	195.5	321.9	237.6
— Nuclear decommissioning (Lithuania)	68.8	60.0	74.6	151.9
— Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	57.2	53.2	62.3	71.8
— Decentralised agencies	230.4	230.4	251.1	251.1
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	22.4	19.2	22.9	20.7
— Pilot projects and preparatory actions		0.8		1.2

— Cluster 13 – Defence	**1 427.9**	**578.3**	**1 964.3**	**1 301.1**
— European Defence Fund (Research)	319.3	164.1	333.7	210.8
— European Defence Fund (Non Research)	626.4	250.1	667.9	539.5
— Military mobility	295.2	131.7	249.6	261.7
— Union Secure Connectivity	30.0	30.0	96.0	110.0
— Short-term defence instrument on common procurement	0.0	0.0	260.0	100.0
— Defence Industrial Reinforcement Instrument	157.0	1.0	343.0	78.5
—Support administrative expenditure of the 'Security and defence' cluster			14.1	14.1
— Pilot projects and preparatory actions	0.0	1.4	0.0	0.5
NEIGHBOURHOOD AND THE WORLD	**17 211.9**	**13 994.9**	**16 731.0**	**15 315.0**
— Of which: under Flexibility Instrument	882.9		28.9	
— Cluster 14 – External action	**14 680.8**	**11 404.3**	**14 113.5**	**13 316.5**
— Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe)	12 250.8	8 943.7	11 523.9	10 763.8
— European Instrument for International Nuclear Safety Cooperation (INSC)	39.9	32.1	41.8	27.1
— Humanitarian Aid (HUMA)	1 776.9	1 834.2	1 910.7	1 897.4
— Common Foreign and Security Policy (CFSP)	371.8	380.6	384.7	384.7
— Overseas Countries and Territories (OCT)	70.0	59.3	71.4	71.6
— Ukraine Macro-Financial Assistance Plus (MFA+)			5.0	5.0
— Other actions	78.4	61.6	81.3	81.3
— Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission	93.0	92.8	94.7	85.6
— Pilot projects and preparatory actions				
— Cluster 15 – Pre-accession assistance	**2 531.1**	**2 590.6**	**2 617.4**	**1 998.5**
— Pre-accession assistance (IPA III)	2 531.1	2 590.6	2 058.4	1 916.5
— Reform and Growth Facility for the Western Balkans *(in reserve), incl. adm. exp.*			*(501.0)*	*(23.9)*
— Support expenditure for IPA			58.0	58.0

EUROPEAN PUBLIC ADMINISTRATION	**11 345.7**	**11 345.7**	**11 988.0**	**11 988.0**
Of which: Administrative expenditure of the institutions	8 720.4	8 720.4	9 175.4	9 175.4
— Pensions	2 391.1	2 391.1	2 565.5	2 565.5
— European schools	234.2	234.2	247.2	247.2
— Administrative expenditure of the institutions	8 720.4	8 720.4	9 175.4	9 175.4
— European Parliament	2 246.3	2 246.3	2 382.3	2 382.3
— European Council and Council	647.9	647.9	676.9	676.9
— Commission	4 032.1	4 032.1	4 221.8	4 221.8
— Court of Justice of the European Union	486.0	486.0	503.8	503.8
— European Court of Auditors	175.1	175.1	185.7	185.7
— European Economic and Social Committee	158.8	158.8	164.9	164.9
— European Committee of the Regions	116.7	116.7	121.9	121.9
— European Ombudsman	13.0	13.0	13.7	13.7
— European Data Protection Supervisor	22.7	22.7	24.3	24.3
— European External Action Service	821.9	821.9	880.1	880.1
TOTAL UNDER MFF HEADINGS	**183 621.5**	**162 523.2**	**188 701.6**	**141 282.8**
— Of which: under Flexibility Instrument	1 235.7	948.1	1 635.5	1 734.4
Outside MFF	**2 855.2**	**2 679.8**	**6 517.6**	**5 491.1**
— Ukraine Facility			4 728.9	3 716.2
— Solidarity and Emergency Aid Reserve (SEAR)	1 324.9	1 324.9		
— European Solidarity Reserve			1 094.2	1 094.2
— Emergency Aid Reserve			572.1	572.1
— European Globalisation Adjustment Fund for Displaced Workers	205.4	30.0	33.8	
— Brexit Adjustment Reserve (BAR)	1 324.9	1 324.9	0.0	0.0
TOTAL APPROPRIATIONS	**186 476.6**	**165 203.0**	**195 219.2**	**146 773.9**
Appropriations as % of GNI	**1.1 %**	**0.98 %**	**1.1 %**	**0.83 %**

Annex 4 – Climate contribution per programme in the 2023 and 2024 budgets* (in commitment appropriations and € million)

Heading/EU programme	Budget 2023	as a % of climate contribution 2023	as a % of budget 2023 and NGEU	Draft budget (DB) 2024	as a % of climate contribution 2024	as a % of budget 2024 and NGEU
Communication	3.3	0.00 %	0.00 %	3.3	0.01 %	0.00 %
Heading 1 – Single Market, Innovation and Digital	**10 445.4**	**10.91 %**	**3.56 %**	**9 266.1**	**15.94 %**	**5.07 %**
Connecting Europe Facility (CEF), including Military Mobility*	3 489.0	3.64 %	1.19 %	3 532.0	6.08 %	1.93 %
European Space Programme	310.4	0.32 %	0.11 %	319.1	0.55 %	0.17 %
Euratom Research and Training Programme	134.2	0.14 %	0.05 %	137.9	0.24 %	0.08 %
International Thermonuclear Experimental Reactor (ITER)	832.1	0.87 %	0.28 %	556.3	0.96 %	0.30 %
Horizon Europe	4 748.0	4.96 %	1.62 %	4 604.0	7.92 %	2.52 %
InvestEU Programme	867.3	0.91 %	0.30 %	116.8	0.20 %	0.06 %
Digital Europe Programme	64.4	0.07 %	0.02 %			
Heading 2 – Cohesion, Resilience and Values	**59 719.5**	**62.39 %**	**20.38 %**	**17 615.1**	**30.30 %**	**9.63 %**
European Social Fund +	984.0	1.03 %	0.34 %	1 010.7	1.74 %	0.55 %
Recovery and Resilience Facility	42 580.9	44.48 %	14.53 %			
Regional Policy (European Regional and Development Fund and Cohesion Fund)	16 150.9	16.87 %	5.51 %	16 604.4	28.56 %	9.08 %
React-EU	3.7	0.00 %	0.00 %	0.0	0.00 %	0.00 %
Heading 3 – Natural Resources and Environment	**21 382.5**	**22.34 %**	**7.30 %**	**27 062.9**	**46.55 %**	**14.80 %**
Sustainable Fisheries Partnership Agreements (SFPA) and Regional Fisheries Management Organisations (RFMO)	12.7	0.01 %	0.00 %	10.4	0.02 %	0.01 %
Just Transition Mechanism (JTM)	7 032.4	7.35 %	2.40 %	1 585.7	2.73 %	0.87 %

Heading/EU programme	Budget 2023	as a % of climate contribution 2023	as a % of budget 2023 and NGEU	Draft budget (DB) 2024	as a % of climate contribution 2024	as a % of budget 2024 and NGEU
European Maritime Fisheries and Aquaculture Fund (EMFAF)	586.3	0.61 %	0.20 %	566.1	0.97 %	0.31 %
Programme for the Environment and Climate Action (LIFE)	454.9	0.48 %	0.16 %	439.4	0.76 %	0.24 %
Common Agricultural Policy (CAP)	13 296.2	13.89 %	4.54 %	24 461.3	42.08 %	13.37 %
Heading 6 – Neighbourhood and the World	**4 175.5**	**4.36 %**	**1.42 %**	**4 186.5**	**7.20 %**	**2.29 %**
Neighbourhood, Development and International Cooperation Instrument	3 626.5	3.79 %	1.24 %	3 626.5	6.24 %	1.98 %
Pre-Accession Assistance (IPA III)	549.0	0.57 %	0.19 %	560.0	0.96 %	0.31 %
Total climate financing in the EU budget	**95 726.2**	**100.00 %**	**32.67 %**	**58 134.0**	**100.00 %**	**31.79 %**
Total EU budget and Next Generation EU	**293 034.0**	**32.67 %**	**100.00 %**	**182 897.1**	**31.79 %**	**100.00 %**

* Includes external assigned revenue and estimated loans from NGEU.

Data source: Draft general budget for the financial year 2024, 'Climate mainstreaming', European Commission, July 2023.

Annex 5 – NGEU contributions to the EU budget in 2024 per budgetary heading and programme

NGEU programme/top-up	Commitment appropriations	Payment appropriations
Heading 1 – Single market, innovation and digital	**13.6**	**2 796.9**
Horizon Europe *Horizon Europe is the EU's main research and innovation funding programme, with €95.5 billion for 2021-2027. It tackles climate and environmental issues, and fosters competitiveness and growth in the EU while respecting the United Nations' Sustainable Development Goals. NGEU reinforces the Horizon Europe programme with an additional €5.4 billion until 2027.*	13.1	1 543.8
InvestEU *The InvestEU programme leverages private and public funding to support sustainable investment, innovation and job creation in Europe, including the areas of the green and digital transition, social policy and skills development. NGEU tops up InvestEU with €6.1 billion.*	0.5	1 253.1
Heading 2 – Cohesion, resilience and values	**18.5**	**107 007.2**
REACT-EU *The Recovery assistance for cohesion and the territories of Europe (REACT-EU) supports investments that foster crisis-repair capacities. It aims to achieve green and digital objectives while making the EU resilient. It also supports policies for maintaining jobs, short-time work schemes and the self-employed, job creation, youth employment measures, healthcare systems and SMEs. REACT-EU tops up the European Regional Development Fund and the European Social Fund with €50.6 billion.*	2.1	10 690.9
The Recovery and Resilience Facility (RRF) – grants *The RRF is the main spending vehicle of the NGEU recovery instrument aimed at helping the EU economies recover from the socio-economic ramifications of the COVID-19 crisis, while fostering the green and digital transitions. The overall size of the RRF is €723.8 billion for 2021-2026.*	14	95 964.4
rescEU *The rescEU programme protects citizens from disasters and manages emerging risks. It represents a reserve of EU capacities and includes firefighting planes and helicopters, medical evacuation planes, and a stockpile of medical items and field hospitals. rescEU amounts to €2 billion.*	2.4	351.9
Heading 3 – Natural resources and environment	**3.7**	**3 049.9**
Rural development (EAFRD) *The European agricultural fund for rural development (EAFRD) helps achieve the EU's common objectives such as boosting the competitiveness of agriculture, fostering sustainable management of natural resources and climate action, and attaining balanced territorial development of rural areas and communities. NGEU supports the rural development policy with €8.1 billion.*		1 806.5
Just Transition Fund *The fund supports EU territories expected to be the most negatively impacted by the quest for climate-neutrality. It provides resources for clean energy, up- and reskilling of workers, investments in SMEs and transformation of existing carbon-intensive installations, among other things. The NGEU top-up amounts to €10.9 billion.*	3.7	1 243.4
TOTAL NGEU contributions	**35.8**	**112 854**

Source: Draft EU annual budget 2024, European Commission, July 2023; EU funding programmes, European Commission. Notes: Most NGEU commitments had to be made by 31 December 2023, while the payments on the basis of commitments entered are to be concluded by 31 December 2026.

Annex 6 – NGEU milestones and targets, country overview

Country	Milestones and targets planned	Investment milestones and targets planned	Reform milestones and targets planned	Milestones and targets achieved (as % of planned)	Investment milestones and targets achieved (as % of planned)	Reform milestones and targets achieved (as % of planned)
Belgium	230	174	56	0.0 %	0.0 %	0.0 %
Bulgaria	317	184	133	6.9 %	3.3 %	12.0 %
Czechia	341	216	125	19.1 %	19.0 %	19.2 %
Denmark	93	70	23	26.9 %	31.4 %	13.0 %
Germany	133	86	47	27.1 %	26.7 %	27.7 %
Estonia	133	79	54	21.8 %	20.3 %	24.1 %
Ireland	105	68	37	0.0 %	0.0 %	0.0 %
Greece	381	219	162	22.6 %	19.2 %	27.2 %
Spain	595	398	197	20.3 %	5.5 %	50.3 %
France	181	134	47	51.4 %	47.8 %	61.7 %
Croatia	436	266	170	23.9 %	12.4 %	41.8 %
Italy	617	436	181	28.8 %	24.1 %	40.3 %
Cyprus	282	166	116	5.0 %	3.6 %	6.9 %
Latvia	229	165	64	3.9 %	1.8 %	9.4 %
Lithuania	216	45	171	16.7 %	13.3 %	17.5 %
Luxembourg	60	33	27	43.3 %	30.3 %	59.3 %
Hungary	368	190	178	0.0 %	0.0 %	0.0 %
Malta	136	44	92	14.0 %	4.5 %	18.5 %
Netherlands	132	86	46	0.0 %	0.0 %	0.0 %
Austria	178	107	71	24.7 %	21.5 %	29.6 %
Poland	314	185	129	0.0 %	0.0 %	0.0 %
Portugal	463	376	87	22.0 %	16.5 %	46.0 %
Romania	518	294	224	13.5 %	8.2 %	20.5 %
Slovenia	205	136	69	27.3 %	17.6 %	46.4 %
Slovakia	222	119	103	25.7 %	13.4 %	39.8 %
Finland	144	99	45	13.9 %	11.1 %	20.0 %
Sweden	57	36	21	0.0 %	0.0 %	0.0 %
TOTAL	**7 086**	**4 411**	**2 675**	**17.1 %**	**12.7 %**	**24.3 %**

Source: EPRS, based on European Commission and RRF Scoreboard data as at 11 April 2024.

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Offering an overview of the budgetary situation in the European Union, this study continues an annual series of 'Outlooks' produced by the European Parliamentary Research Service (EPRS) over the past seven years.

In seven chapters, the authors of the publication explain and analyse the annual EU budget and give an overview of its headings for 2024, all within the wider budgetary context of the EU's post-2020 multiannual financial framework (MFF) and the Next Generation EU recovery instrument. In particular, the paper takes full account of the revision of the current MFF, adopted early in in 2024, and the subsequent adjustments to the 2024 budget.

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