

EU Budget: The Facts

1. The figures
2. What is the Multiannual Financial Framework?
3. Structure proposed
4. How is it decided? The MFF Process
5. How much does the EU spend on aid?
6. Benefits of giving aid through the EU
7. What EU aid has achieved in the last 10 years
8. Citizens support for aid

1. The figures

The **commitment ceiling proposed by the Commission** amounts to **1.08% of EU gross national income (GNI)** compared to 1.12% for the 2007-2013 MFF (for actual payments the proposed ceiling is 1.03% of EU GNI compared to 1.06% for 2007-2013). So in this sense, the budget proposed was **already downsized**. In absolute terms, the commitment ceiling for 2007-2013 was €975.777 billion. The Commission's proposal for 2014-2020 is €1033.235 billion.

2. What is the Multi-annual Financial Framework?

The Multiannual Financial Framework (MFF, formerly 'financial perspectives'), is a spending plan that translates the EU priorities into financial terms for the period 2014-2020. It is not a seven-year budget. Every year a new EU annual budget must be agreed upon, and the 'MFF' acts as the ceiling limit for expenditure over this period and defines the maximum amounts available for each major category of spending called 'headings'.¹

3. Structure proposed

The new MFF would be composed of six headings²:

1- Sustainable Growth:

- a. 1a. Competitiveness for growth and employment
- b. 1b. Cohesion for growth and employment

2- Preservation and management of natural resources:

Includes the Common Agricultural Policy, common fisheries policy, rural development and environmental measures.

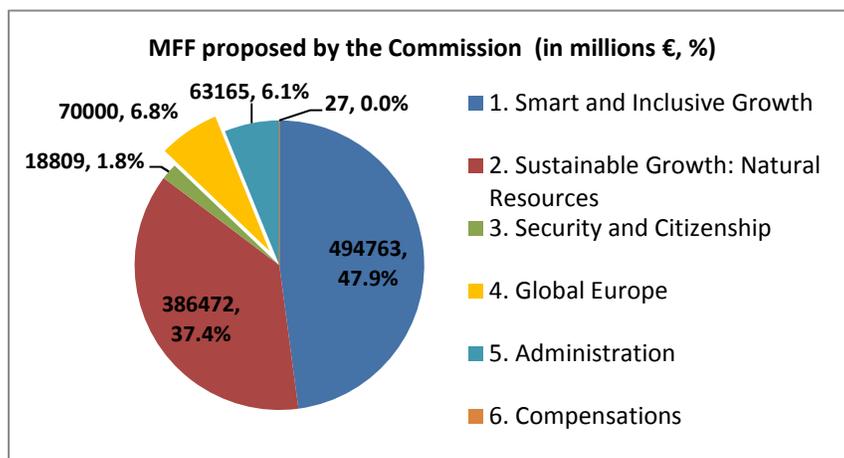
3- Citizenship, freedom, security and justice

- a. 3a. Freedom, security and justice: justice and home affairs, border protection, immigration and asylum policy.
- b. 3b. Citizenship: public health, consumer protection, culture, youth, information and dialogue with citizens.

4- EU as global player: Covers all external action by the EU, not including the European Development Fund

5- Administration: Covers the administrative expenditure of all the European institutions, pensions and EU-run schools for staff members' children ("European Schools")

6- Compensations.



¹ http://europa.eu/newsroom/highlights/multiannual-financial-framework-2014-2020/index_en.htm

² http://ec.europa.eu/budget/explained/budg_system/fin_fw0713/fin_fw0713_en.cfm

4. How is it decided? The MFF process

Last year, the **European Commission** proposed the MFF package which now serves as a basis for the negotiations. This package has been reviewed by the Council and the Parliament. The Council will adjust and adopt the overall MFF Regulation, but it needs the consent of the Parliament so must therefore also take the Parliament's views into account.

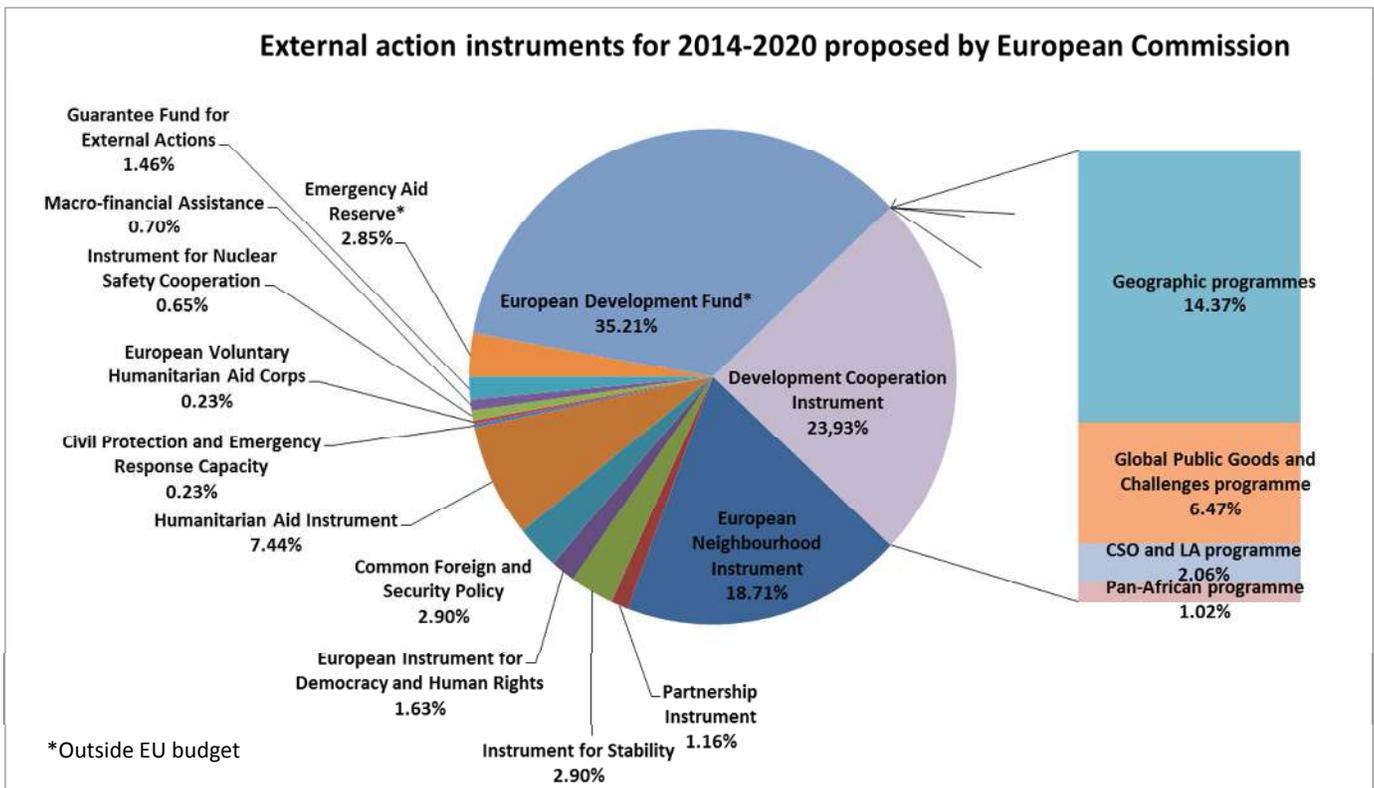
On the 23rd of October, the **European Parliament** adopted its own position in the form of a Resolution.³ From the side of the **Council**, technical experts, ambassadors and ministers have had various negotiation opportunities. Based on these negotiations, the Cyprus presidency tries to build consensus via a 'negotiation box'.⁴ Although the positions of Member States seemed to be very divergent, sometimes even opposing, they hope to reach a common agreement at the level of Heads of State and Government during the **Extraordinary European Council on 22-23 November 2012** on the ceilings for the overall MFF and per heading, the key political elements of the rules on own resources and the key political elements.

Once the European Council reaches an agreement on the overall MFF Regulation, the legislative work will have to be finalized through the adoption of all the legislative acts, among which all the **sector-specific legislations**, which will have to be adopted jointly by the Council and the Parliament (in co-decision).

Finally, the EU budget will have to be agreed upon in an **annual budget procedure** within the expenditure limits set by the MFF.

5. How much does the EU spend on aid?

The European Commission aid commitments for 2011 amounted to €11.3 billion, making it the **largest multilateral donor in the world**.⁵ At EU level, this **aid** is delivered through various external action instruments such as the Development Cooperation Instrument (DCI), the European Development Fund (EDF, managed by the European Commission but technically not part of the EU budget), the European Neighbourhood Instrument (ENI), the European Instrument for Democracy and Human Rights (EIDHR), the Instrument for Stability (IfS) and the Humanitarian Aid Instrument, which, apart from the EDF, are all part of **heading 4** of the MFF.



³ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0360+0+DOC+XML+V0//EN&language=EN>

⁴ <http://www.consilium.europa.eu/special-reports/mff/negotiating-box>

⁵ http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2012_full_en.pdf

- **DCI:** The overarching objective of this EU instrument for external cooperation is to eradicate poverty by means of sustainable development, partly by working towards the millennium development goals.⁶ For the 2014-2014 DCI, the EU proposed €23.295 billion (current prices).
- **EDF:** formally outside the EU budget and financed directly by Member States' contributions, is the main instrument for providing EU aid to African, Caribbean and Pacific States. The EDF consists of grants managed by the European Commission and the European Investment Bank (EIB) under the Investment Facility. For the 2014-2014 EDF, the EU proposed €34.276 billion (current prices).

6. Benefits of giving aid through the EU

- ✓ The 2012 Aid Transparency Index ranked the Commission's Directorate on Development and Cooperation (Devco) as among the most transparent in a list of 72 donor organisations⁷.
- ✓ A study showed that if the EU improves its aid effectiveness and coordinates better; up to €5 billion for aid can be gained. By acting jointly, the EU can weigh in as a single and more powerful actor on a range of issues where national action offers less impact and less scope. This also means that resources can be pooled and used together on a broad range of policies and instruments. Overall, the EU's comparative advantage over national action is based on its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination, and to the economies of scale.⁸
- ✓ The size, geographical reach and partnership dimension of the EU's aid program makes it a formidable player in global development. The EU institutions are unique in that they provide direct support to developing countries and play a "federating role" vis-à-vis the 27 Member States – coordinating them for better development impact, and preparing common positions to strengthen the EU voice in global debates.
- ✓ The EU has become a stronger development actor in the last decade. The 27 Member States now share a set of strategic frameworks covering three pillars of development co-operation: financing, strategies, and policy coherence. Playing a global role, they have developed common positions which have advanced work on issues such as development financing and effective aid.⁹

7. What EU aid has achieved in last 10 years

- Gave more than 31 million people access to safe drinking water for the first time
- Stopped 24 million from going hungry
- Gave more than 9 million children a primary education
- Equipped 2.1 million rural people with modern energy services
- Helped protect more than 1.5 million hectares of forest
- Vaccinated more than 5 million children against measles¹⁰

8. Citizens Support for aid

Despite the economically testing time at home, **85% of EU citizens feel that it's still important to help people in developing countries.**¹¹

- 6 out of 10 Europeans feel that aid to developing countries should be increased. Only 18% believe the opposite.
- 61% of Europeans believe that aid should be prioritised for countries in fragile situations

In countries at the height of the economic crisis, support did not waver. In Spain, support remained strong with only small decreases in Greece and Italy (down 2 percentage points) compared to the previous years. Support actually increased in Ireland (up 3 percentage point).

⁶ http://ec.europa.eu/budget/financialreport/expenditure/global/index_en.html

⁷ <http://www.publishwhatyoufund.org/index/>

⁸ http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/documents/benefits_of_going_ahead-aid_effectiveness_agenda_en.pdf

⁹ <http://www.oecd.org/dac/peerreviewsofdacmembers/europeanunion2012dacpeerreviewmainfindingsandrecommendations.htm>

¹⁰ <http://ec.europa.eu/europeaid/what/millennium-development-goals/e-booklet/en/index.html>

¹¹ http://ec.europa.eu/public_opinion/archives/ebs/ebs_392_en.pdf