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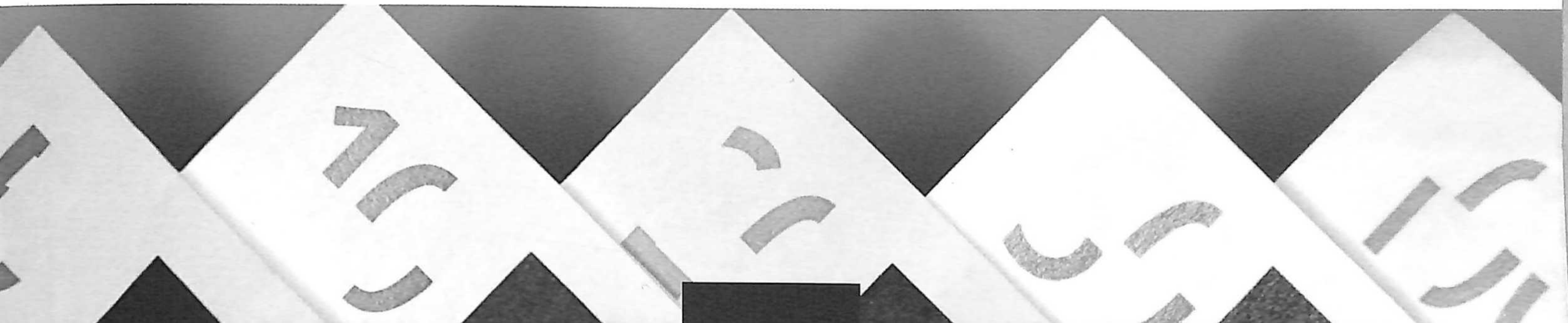
THE EUROPEAN
UNION
EXPLAINED



Budget

Providing value
for money

A strong and sound budget makes a
strong and sound European Union.





THE EUROPEAN UNION EXPLAINED

This publication is a part of a series that explains what the EU does in different policy areas, why the EU is involved and what the results are.

You can find the publications online:

http://europa.eu/pol/index_en.htm

<http://europa.eu/!bY34KD>

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The European Union explained: Budget

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Citizens information
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BELGIUM

Manuscript updated in November 2014

Cover and page 2 picture: © Tom Grill/Corbis

16 pp. — 21 × 29.7 cm
ISBN 978-92-79-41730-6
doi:10.2775/27936

Luxembourg: Publications Office
of the European Union, 2014

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Why does the European Union have a budget?

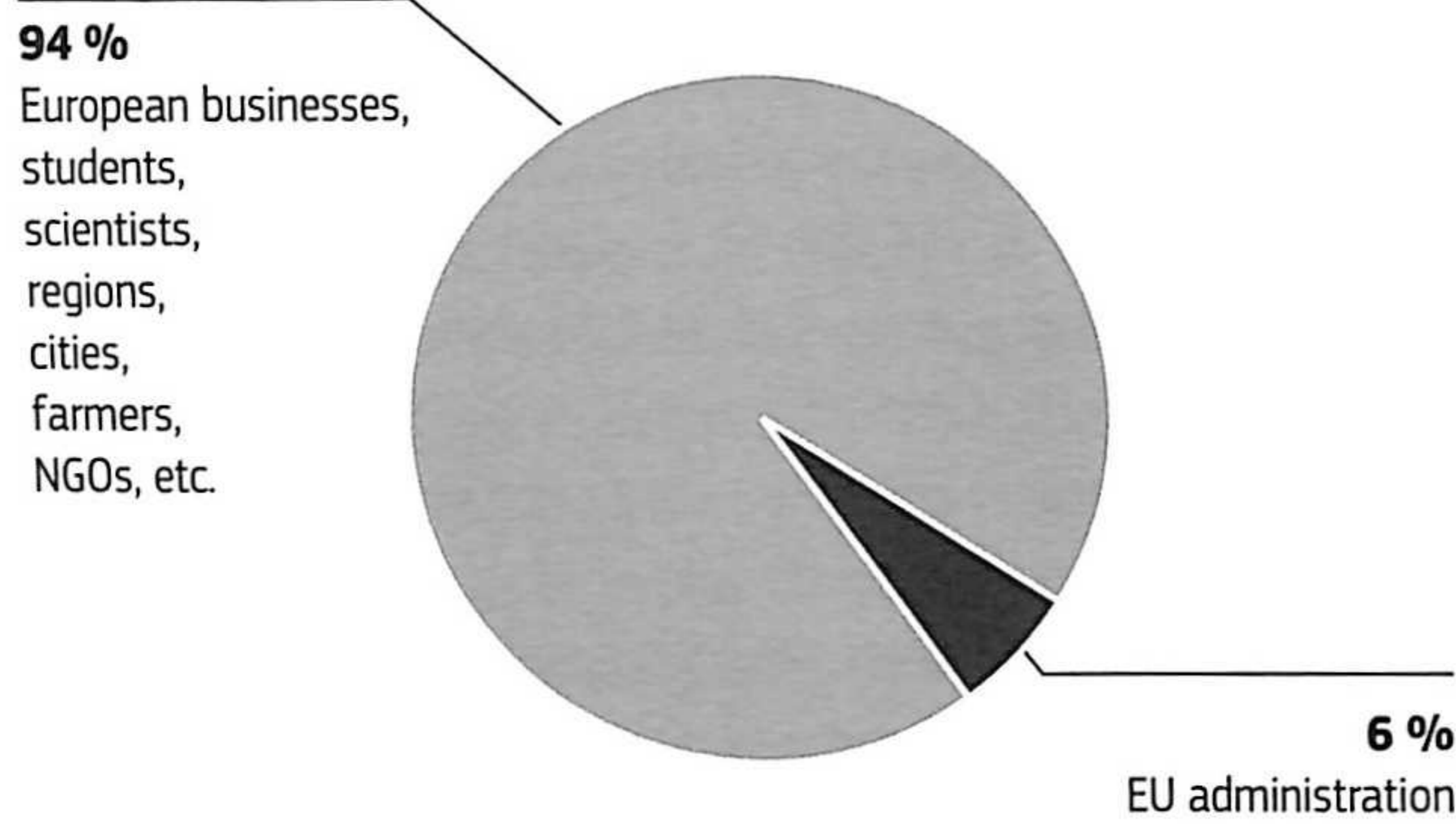
SE PROHIBE
Subrayar y/o marginar este libro;
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The EU budget focuses on where European funding makes a difference. It funds what would not be funded or what would be more expensive to fund from national budgets. Many achievements of the EU would not have been possible without a common budget. Having one EU budget to deal with common challenges is cheaper and more effective than tackling them with 28 separate ones. The EU's responsibilities have increased over the years and the EU budget now finances a wide range of activities in the interest of all EU citizens.

The EU budget contributes to healthier and safer food; new and better roads, railways and airports; a cleaner environment; higher security at the EU's external borders; studying opportunities abroad; and cultural exchanges. The EU also brings help and humanitarian assistance to people in need all over the globe.

A group of nations sharing common objectives needs a budget

Some 94 % of the EU budget is spent on projects in EU Member States and beyond. Each of the 508 million EU citizens benefits in one way or another from the EU budget. It helps millions of students, thousands of researchers and cities, and numerous regions and non-governmental organisations (NGOs).

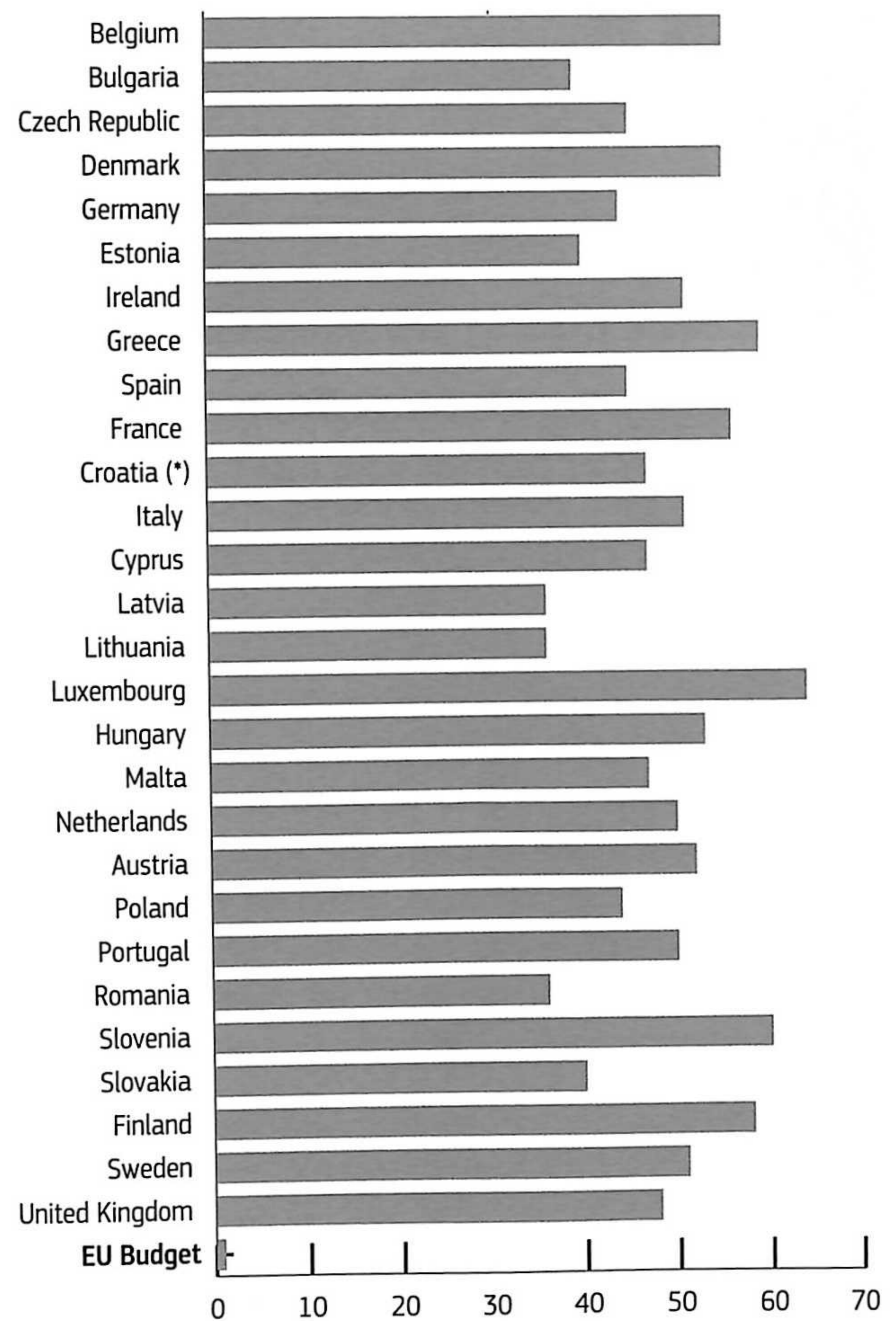


Some 94 % of the EU budget is spent on projects in EU Member States and beyond.

Basic facts and figures

Given the wide range of responsibilities, you may be surprised to learn that the EU budget is relatively small. It currently represents about 1 % of the EU's gross national income (GNI), while EU Member State national budgets constitute around 49 %.

2013 PUBLIC EXPENDITURE: MEMBER STATES VS EU BUDGET AS % OF GNI



Source: AMECO.
(*) Croatia joined the EU on 1 July 2013

The EU budget is different from national budgets

The EU budget is mostly an investment budget. The EU budget pools the resources of Member States and creates economies of scale. It finances actions that Member States can fund more effectively by working together, for instance in the fields of energy, transport, information and communication technologies, climate change and research.

The EU budget funds investment projects that otherwise would not be realised. In some countries, it is practically the only source of investments in infrastructure. The EU budget can also be used to guarantee loans to Member States facing economic difficulties.

The leverage effect is often powerful: €1 guaranteed by the EU budget can represent up to €12 raised by a small or medium-sized enterprise (SME).

Unlike national budgets, the EU budget does not fund defence expenditure or social protection. It does not pay for the running of schools or the work of the police as national budgets do.

The 'Human brain' project

European scientists are part of the 'Human brain' project, which is developing the most detailed model of the brain yet, using supercomputing technologies. The results will ultimately help the development of new treatments for brain diseases and revolutionary new computing technologies. (EU funding: €54 million.)



The 'Human brain' project: developing the most detailed model of the brain yet, using supercomputing technologies.

How is the EU budget managed?

The budget always needs to be in balance. Thus the EU budget never runs a deficit, never builds up debt and only spends what it receives. The annual budget must also comply with a long-term budgetary plan, the multiannual financial framework (MFF).

The multiannual financial framework

The main political, therefore budgetary, priorities of the EU budget are planned over at least 5 years (usually seven). The MFF:

- sets maximum annual limits of EU expenditure (known as **ceilings**);
- in several policy areas (called **headings**).

Within each area of the budget (heading), funding is mainly provided through programmes (such as the education programme, Erasmus+, or the environment programme, LIFE) or funds (such as the Cohesion Fund, a fund for poorer regions and Member States of the EU).

The MFF translates the political priorities set by the EU and its Member States into financial and legal terms. The MFF is **not** the budget of the EU. It is a planning tool and an assurance that EU spending is predictable. Each annual budget is adopted within the limits of this framework and usually remains below the MFF expenditure ceilings in order to retain some margin to cope with unforeseen needs. MFF ceilings can be compared to credit card limits for the period of 1 year.

Adoption of the budget

The budget is adopted every year. The European Commission prepares the draft budget and submits it to the Council and the European Parliament, who are the budgetary authority. Both the Council and the Parliament amend and adopt the draft budget. This is an important difference to many national budgets, where only one institution (one chamber if the parliament has two) approves the national budget.

In case of disagreement between the European Parliament and the Council, a specific conciliation committee is convened with the task of reaching agreement on a joint text within 21 days. If the joint text is rejected by the Council, the European Parliament has the right to ultimately approve the budget. If the Parliament rejects the text, the Commission has to submit a new draft budget. If the budget is not adopted before the start of the new year, one twelfth of the previous year's budget may be spent each month under certain conditions before the new budget is finally agreed.

Who manages the money?

The ultimate responsibility for the implementation of the budget lies with the European Commission. In practice, the lion's share of the EU funds (some 80 %) is spent together with Member States under what is known as **shared management**. Under these arrangements, the authorities in the Member States (for instance the respective ministries for regional development), rather than the Commission itself, manage the expenditure under the supervision of the Commission.

How is the money controlled?

The EU budget is guided by specific rules and regulations and controlled by several instances.

RULES GOVERNING EXPENDITURE

The main rules governing the actual spending of EU funds are contained in the EU's **financial regulation**. A second set of rules, the **rules of application**, explains in detail how the financial regulation is to be applied. The rules are regularly reviewed and simplified to make life easier particularly for small beneficiaries.

http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm

TRANSPARENCY

If you want to know who receives EU money and how much, you can use the EU's central online database (http://ec.europa.eu/contracts_grants/beneficiaries_en.htm). For EU funds distributed by national authorities, this information is available on national websites.

INTERNAL AND EXTERNAL AUDITS

The EU budget is subject to internal and external audits. If the audit of the Commission finds that money from the EU budget was unduly paid, it must ensure the amount is recovered. Every year there is also an independent external audit of the EU's annual accounts by the European Court of Auditors.

The Member States are equally responsible for protecting the EU's financial interests. If errors are found, they may be corrected instantly before the payment is made. Corrections may also be applied to final payments, as EU projects usually run over several years. The Commission then gets back the money originally granted unless the Member States make alternative proposals in time. In 2013 alone, the Commission corrected or recovered €3.3 billion in this way. The European Anti-Fraud Office carries out investigations into potential cases of fraud. These cases affect only a small part of the budget, accounting for less than 0.2 % of it.

On the basis of the annual report of the Court of Auditors, the implementation of the EU budget is evaluated by the Council and the European Parliament. The Parliament then decides to grant discharge to the Commission or not. Discharge can be understood as an approval of how the Commission implemented the budget in that financial year and the closure of that budget.

WHERE DOES THE MONEY COME FROM?

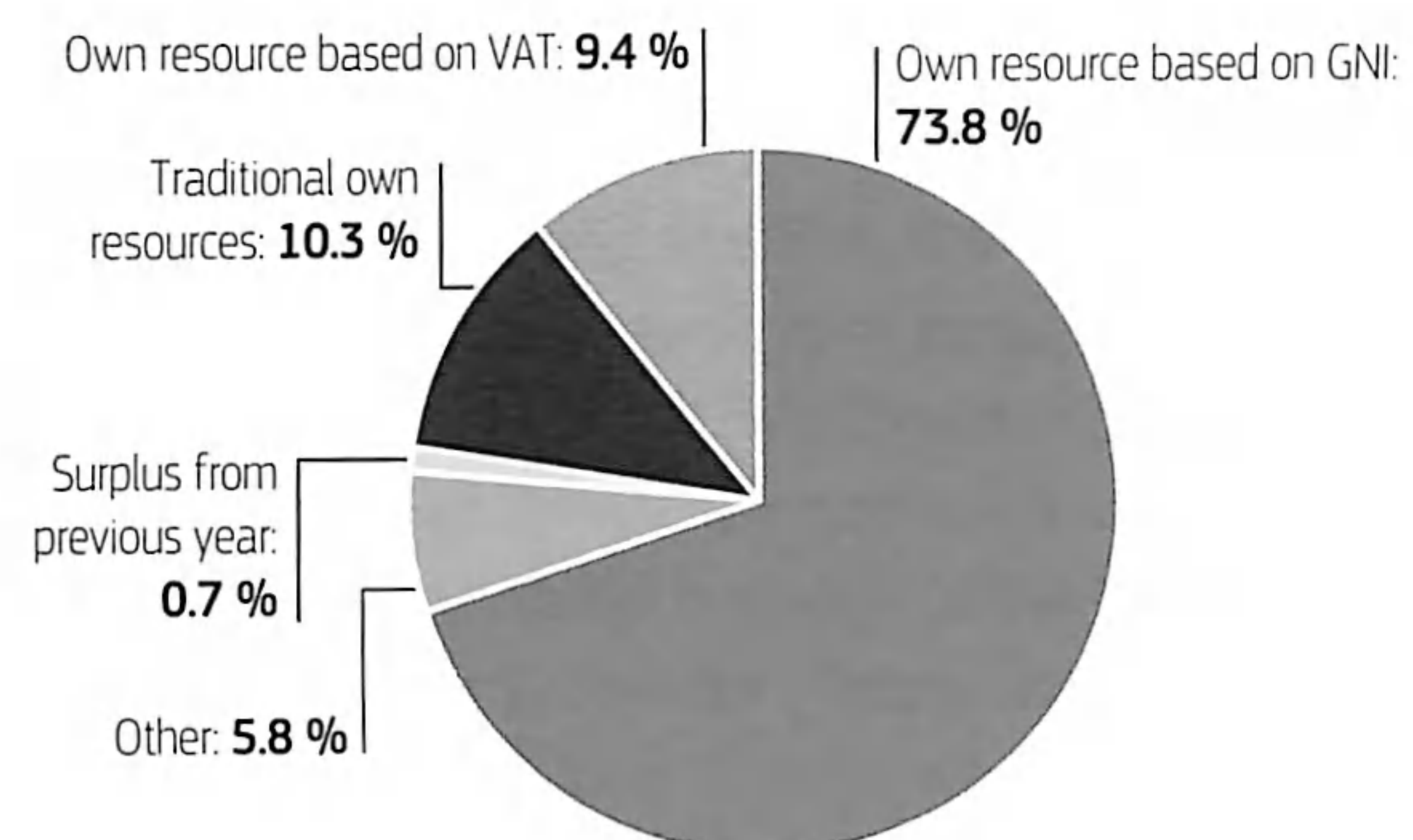
At the beginning of each new MFF period, all EU Member States must decide by consensus on the types and maximum amounts of own resources that the EU may raise during a year as well as on the method for calculating them. It is the so-called own resources decision. One can say that through their sovereign decision Member States agree to ensure a certain level of revenue to the EU budget over the whole period and make them common own resources of the European Union.

The own resources are of three types.

- **Traditional own resources** — these mainly consist of customs duties on imports from outside the EU and sugar levies. Member States keep a fixed percentage of the amounts as collection costs.
- **Own resource based on value added tax (VAT)** — this is a uniform rate of 0.3 % which is, with some exceptions, applied to Member States' harmonised VAT base.
- **Own resource based on GNI** — each Member State transfers a certain percentage of its wealth (expressed in GNI, in 2013 it was 0.84321 %) to the EU budget. Although designed as a balancing item, this system has become the largest source of revenue of the EU budget. It accounted for 73.8 % of total revenue in 2013.

Other sources of revenue (around 5.8 % in 2013) include tax and other deductions from EU staff remunerations, bank interest, contributions from non-EU countries to certain programmes, interest on late payments and fines.

EU REVENUE 2013



What the EU achieves with the budget

Directly or indirectly, we all benefit from some activity funded from the EU budget.

Growth and jobs

One key objective of the EU is to create more economic growth and jobs. To reach this goal, the EU finances research, innovation and technological development, works towards better employment conditions in Europe and encourages actions in favour of the competitiveness of SMEs. It invests in education and lifelong learning and improves transport, energy and digital networks to better connect people in Europe.

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From biofuels to bioplastics

A European research team plans to demonstrate that 70 % of today's polymers can be derived from biomass, thus reducing the dependence on petroleum-based plastic production. The 'Biocore' project will analyse the industrial feasibility of converting by-products such as straw or forestry residue into a wide range of products, including biofuels, chemical products, polymers and materials. (EU funding: €13.9 million.)

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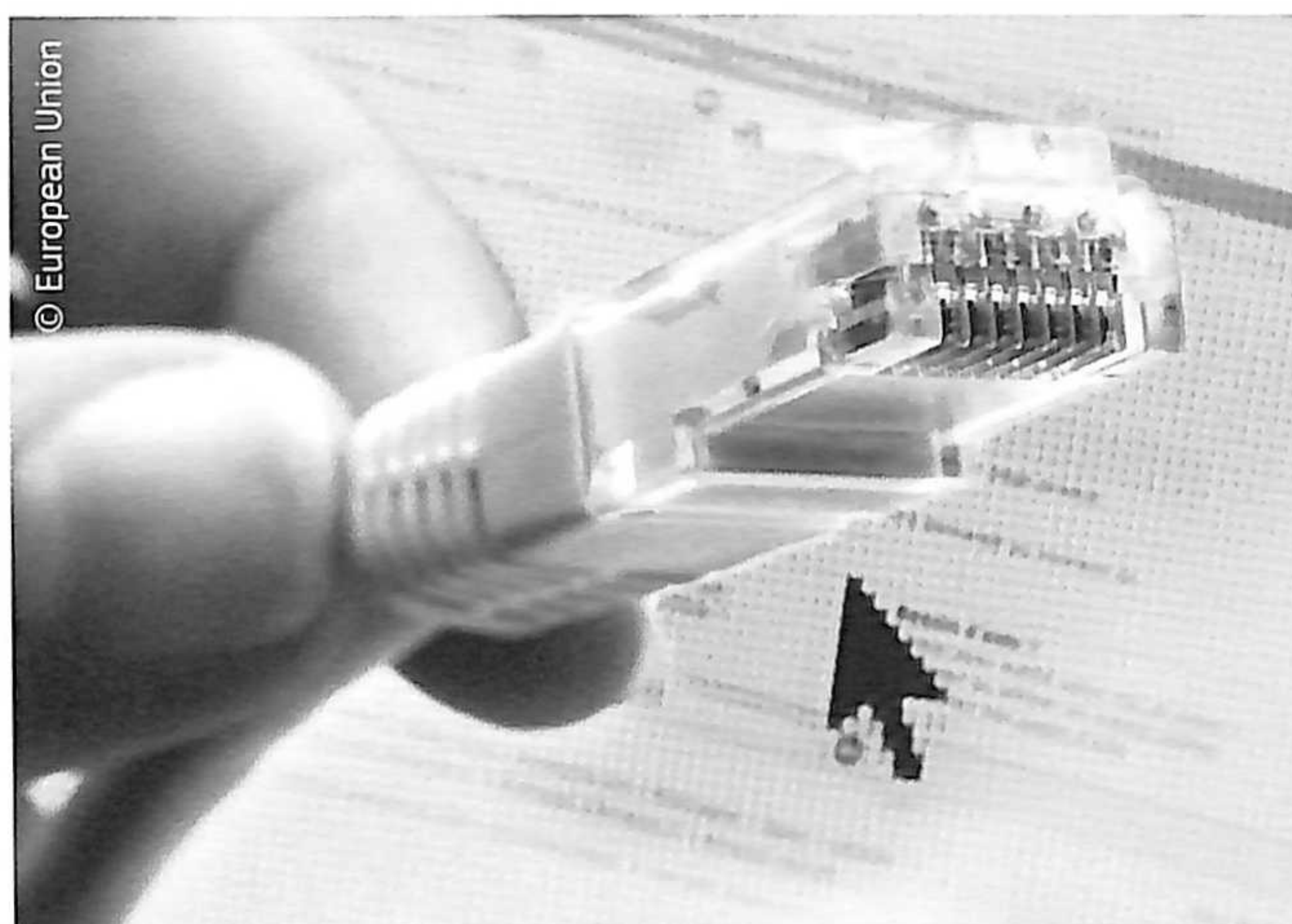
Enterprise Europe Network

Bringing together close to 600 business support organisations from more than 50 countries, the Enterprise Europe Network has helped European SMEs seize business opportunities of the EU single market.

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Economic, social and territorial cohesion

To create growth, the EU needs to strengthen economic, social and territorial cohesion and bring growth and development to the regions which are lagging behind. European funds finance new infrastructure, training programmes and cross-border cooperation. The cohesion policy of the EU reduces the disparities in the levels of development between regions and Member States in the EU. The entire EU benefits from this in the long run. For instance, numerous infrastructure projects in the poorer regions of Europe improve the quality of drinking water, build new waste landfills in accordance with EU standards and create efficient transport networks.



Modern cohesion policy includes support for innovative technological solutions.

State-of-the-art incubation, research and enterprise centre in Letterkenny

The Business Development Centre at the Letterkenny Institute of Technology is situated in a small town in the very north-west of Ireland. With the support of the EU, it has been extended to form a state-of-the-art incubation, research and enterprise centre named CoLab. It comprises 23 business centres spread over 2 500 m², provides campus-based incubation facilities to start-up companies, along with facilities for industrial research — all with the aim of supporting entrepreneurs at every stage of their business development. It has become a very attractive location for the business community of the north-west region. (EU funding: €2.67 million.)

Micro-loans for a new chance

The European Progress Microfinance Facility provides micro-loans (less than €25 000) to small entrepreneurs, and to people who have lost or are at risk of losing their jobs and want to set up their own enterprise. The initiative is designed for groups with limited access to conventional credit, such as women, young people, minority groups and people with disabilities.

Agriculture and rural development

The EU is a global leader in promoting policies that support the sound management of the natural environment.

The EU agriculture policy encourages the production of safe, high-quality food and promotes European agriculture products as well as innovation in farming and food processing. The **European Agricultural Guarantee Fund** finances direct payments to farmers and measures to respond to market disturbances, such as private or public storage and export refunds.



EU agriculture policy encourages the production of safe, high-quality food.

The EU boosts the economic potential of rural areas, creates new sources of income for the inhabitants by encouraging the diversification of their activities and protects our rural heritage thanks to the **European Agricultural Fund for Rural Development**.

At the same time, the EU promotes an efficient and sustainable use of land and forests. It encourages measures which enhance nature protection and biodiversity, reduce waste production and greenhouse gas emissions, develop clean technologies and improve air quality. Its **LIFE** programme supports environmental and nature conservation.

Save the Saimaa seals!

This Finnish project funded by the LIFE programme aims at improving the conservation status of the Saimaa Ringed seal in the Saimaa lake complex, which is one of the world's most endangered species. It will reduce disturbance by humans (especially during the breeding period) and minimise fishing-related risks (the seals are often accidentally killed). In order to help the seals adapt to climate changes, man-made snow drifts will be produced to improve their lairing conditions during mild winters. (EU funding: €4 million.)

Security and citizenship

In cooperation with its Member States, the EU fights against terrorism, crime and illegal immigration. It strives for a better management of migration flows and the development of a common asylum.

The EU contributes to protecting EU consumers.

RAPEX, for instance, is an alert system that facilitates the rapid exchange of information between Member States and the Commission. Thus, RAPEX helps to coordinate measures taken to prevent or restrict the marketing or use of certain products posing a serious risk to the health and safety of consumers.

PROPIEDAD DE LA UNIVERSIDAD DE SAN CARLOS DE GUATEMALA
Biblioteca Central

RAPEX facilitates rapid exchanges of information on dangerous products. This image shows a laser pen, posing a risk to the eyes.



In addition, the EU budget promotes and protects the European cultural heritage, strengthening the feeling of common European identity. For instance, every year the European heritage days initiative allows more than 20 million people to enjoy access to thousands of rarely opened sites.

The **EU MEDIA programme** provided the EU film and audiovisual industries with financial support in the development, distribution and promotion of their work. It helped European films and audiovisual works to find markets beyond national and EU borders. Big international successes such as *Les Intouchables* by Olivier Nakache and Éric Toledano, *Slumdog millionaire* by Danny Boyle, *Das Leben der Anderen* by Florian Henckel von Donnersmarck and *Amour* by Michael Haneke received funding from the EU.

Global Europe

The impact of the EU funds does not stop at its borders. The EU helps ensure stability, security and prosperity in Europe's neighbourhood and across the globe, carry out crisis management and peacekeeping missions, and fight poverty in the poorest countries of the globe. It provides assistance, relief and protection for the victims of natural or man-made disasters. The EU confirmed its status as the biggest aid donor in the world with assistance provided to 124 million people in over 90 countries outside the EU in 2013.

Promotion of human rights

Thanks to a joint EU and Unicef project, the number of villages in Senegal declaring that they have abandoned the practice of female genital mutilation or cutting increased from 300 to 5 315 between 2008 and 2011.

Too much money spent on administration?

Administrative costs represent only 6 % of the EU budget and cover the staff and building costs of EU institutions, including the European Parliament, Council of Ministers, European Commission, Court of Justice and Court of Auditors. In order to adapt to the need to consolidate public spending in Europe, the EU institutions are cutting costs: the Commission's wide-ranging staff reform is expected to save €8 billion by 2020, reducing its staff by 5 %, while at the same time increasing its working hours.



The EU helps the audiovisual industries develop, distribute and promote their work.

The EU budget for you

The resources of the EU budget are accessible to any EU citizen, to you, to your company, your school, your village, your region or to the NGO you sympathise with.

The EU budget provides two main types of funding.

1. **Grants** awarded to finance or co-finance certain projects or objectives, usually through a call for proposals. Those interested in EU funding are to demonstrate how the available funds will achieve the set objectives. Funding from structural and investment funds is provided through grants awarded by regional and local administrations.

2. **Public contracts** awarded through a call for tenders (public procurement) to buy services, goods or works in order to ensure the operations of EU institutions or programmes.

Can I benefit from EU funding?

There are many projects, programmes and funds, each of them having its rules.

If you are a young person, you may benefit from the EU education programme **Erasmus+**, which provides **opportunities to study abroad**. This programme may also be relevant if you are nearing the end of your secondary education or planning to follow vocational training in another country. You can also find co-funding for projects which encourage civic involvement, volunteer work and a broader multicultural outlook.
http://ec.europa.eu/programmes/erasmus-plus/index_en.htm

If you are a researcher, grants are available in the form of co-financing for research. Two-year work programmes announce the specific areas that will be funded by Horizon 2020. Look out for them on the online Participant Portal as they can be used as a calendar for the calls for proposals ('calls') to be published during the year.

<http://ec.europa.eu/research/participants/portal/desktop/en/home.html>

If you are an EU farmer, you are most likely to receive direct payments to support your income. You might also benefit from other funds such as the European Agricultural Fund for Rural Development or the LIFE programme, supporting the environment and fighting climate change.

http://ec.europa.eu/clima/policies/finance/budget/life/index_en.htm

If you own an SME, you may benefit from EU funding through grants, loans and in some cases guarantees, as well as facilities for growth under the new COSME programme.

http://ec.europa.eu/enterprise/initiatives/cosme/access-to-finance-smes/index_en.htm

If you consider yourself to be an ordinary European citizen, or if you belong to a public body or an NGO, you might also benefit from EU funding, provided that you or your organisation are active in EU policy areas. Find more information on our dedicated programmes website.

http://ec.europa.eu/budget/mff/programmes/index_en.cfm#cfpi

The European Commission is preparing a new *Beginner's Guide to EU Funding* which is planned to be issued in 2014. If you are interested in receiving information about this publication, please follow the EU budget on the web or on Twitter, Facebook or Google+.

The way ahead for the EU budget

In the MFF 2014–20, the EU dedicates more than €1 trillion to help Europe overcome the economic and financial crisis, fight unemployment and support economic growth. The MFF implements the five ambitious objectives set out in the Europe 2020 growth strategy — on employment, innovation, education, social inclusion and climate/energy — to be reached by 2020. Let's focus on the key elements of the new MFF.

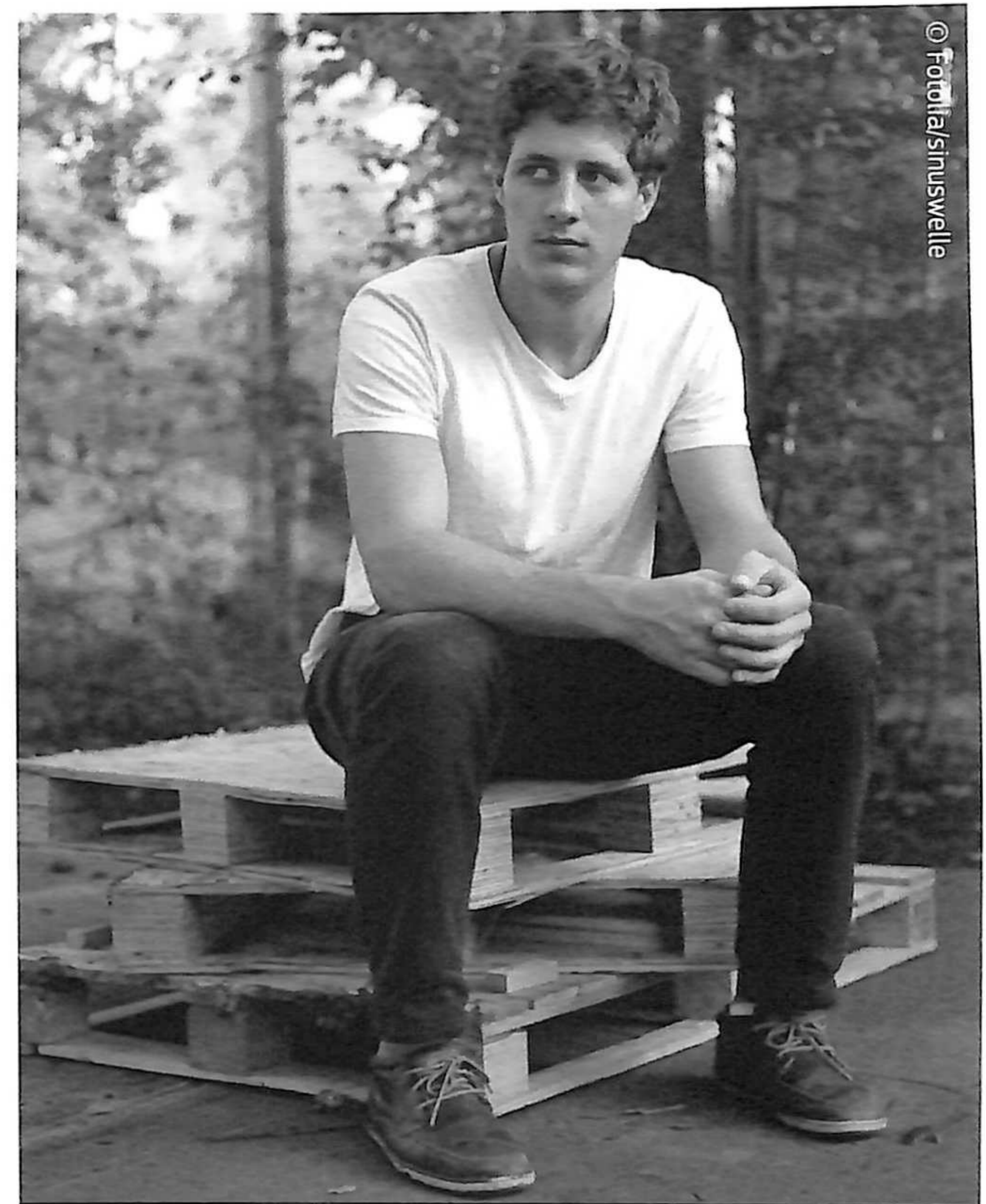
The EU budget helps people find a job

The EU budget contributes to job creation through the **European Social Fund (ESF)** and the **European Regional Development Fund (ERDF)**. A new **youth employment initiative** (worth €6 billion in the new MFF) supports unemployed young people in the regions with high youth unemployment rates (above 25 % in 2012). It should help to ensure that young people under 25 receive good job offers or — if they cannot find a job — that they continue their education within 4 months of leaving school or becoming unemployed.

Support and encourage an entrepreneurial culture

SMEs are the backbone of Europe's economy, accounting for around 99 % of all European businesses and providing two out of three private sector jobs.

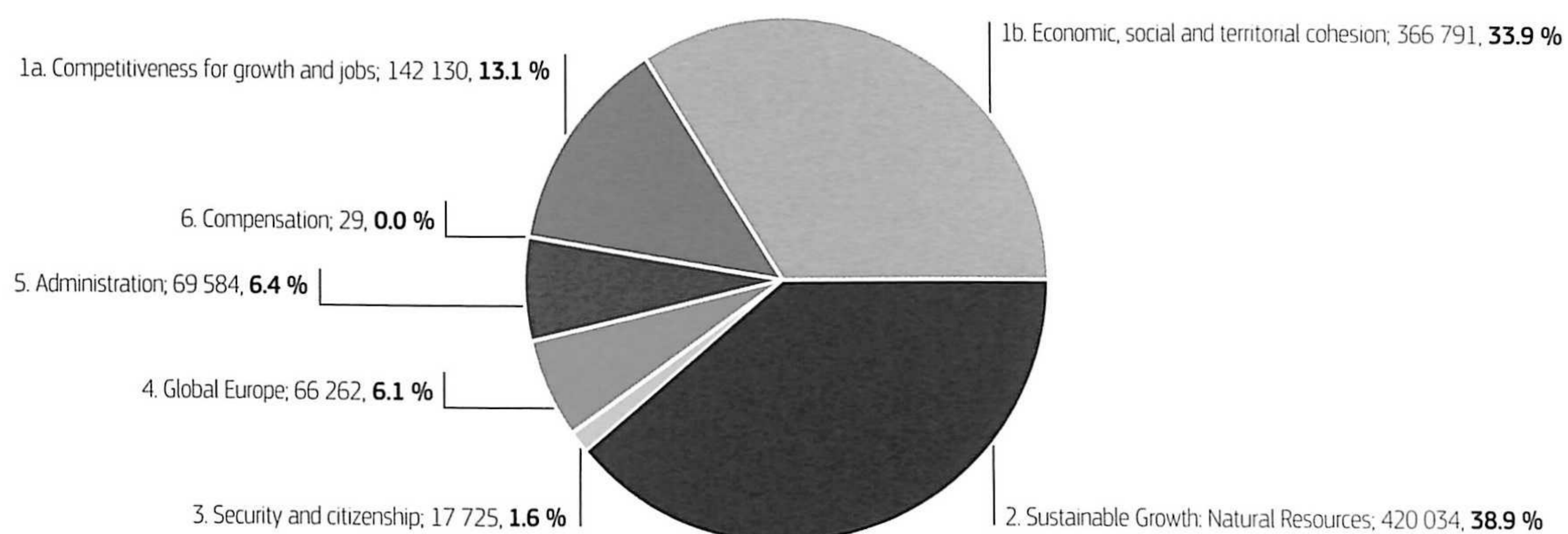
Thanks to the new **COSME** programme, they can expect €2.3 billion in support to foster their competitiveness and boost growth and jobs in Europe. They will gain easier access to markets inside and outside the EU and to finance through loan guarantees and risk capital.



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The EU budget helps young people find a job.

MFF 2014–20 — COMMITMENT APPROPRIATIONS
(= LEGAL PLEDGES TO PROVIDE FUNDING UNDER CERTAIN CONDITIONS) — IN MILLION € (CURRENT PRICES)



Simpler EU funding rules in 2014–20

The funding rules have been simplified and are therefore easier to understand for beneficiaries and less prone to errors. Altogether, around 120 simplification measures have been introduced to free beneficiaries from burdensome regulation. For example, in **COSME**, a 'zero bureaucracy' approach is applied and e-submission and e-reporting are promoted. Less red tape allows businesses to focus their resources on their core activity and be more innovative and competitive.

A better connected Europe

Growth and jobs in Europe crucially depend on infrastructure investment. The **Connecting Europe Facility**, worth €33 billion, will improve Europe's transport, energy and digital networks. It will make Europe's economy greener by promoting cleaner transport modes, fast broadband connections and facilitating the use of renewable energy. It also aims at further integrating the internal energy market to reduce the EU's energy dependency and bolster its security of supply.



TENtec

The EU invests in creating new efficient transport networks.

Scientists bridging the gap between research and market

The new research and innovation programme, **Horizon 2020**, with a significantly increased budget of €79.4 billion, aims at strengthening the EU's position in science and industrial leadership in innovation. It also addresses major concerns shared by all Europeans such as climate change, developing sustainable transport and mobility, making renewable energy more affordable, ensuring food safety and security or coping with the challenge of an ageing population. In addition, it seeks to bridge the gap between research and the market by encouraging innovative enterprises to develop their technological breakthroughs into viable products with real commercial potential.

More than 4 million young people to study abroad

Aimed at boosting skills and employability, the new programme for education, training, youth and sport, **Erasmus+**, has a budget of almost €15 billion (40 % higher than before). More than 4 million people will receive support to study, train, work or volunteer abroad, including 2 million higher education students, 650 000 vocational training students and apprentices, as well as more than 500 000 going on youth exchanges or volunteering abroad. Up to 200 000 students planning a full Master's degree abroad will benefit from a new loan guarantee scheme run by the European Investment Fund. Six hundred partnerships in sport will also receive funding.



Erasmus+ helps millions of people to study, train, gain work experience and volunteer abroad.

More EU funding to support cultures

European culture, cinema, television, music, literature, performing arts, heritage and related areas will benefit from increased support under the EU's new **Creative Europe** programme. With a budget of almost €1.5 billion over the next 7 years (9 % more than before), the programme will provide a boost for the cultural and creative sectors, which are also a source of jobs and growth.

A reformed common agricultural policy

The reformed **common agricultural policy (CAP)** is a strong response to the challenges of today, such as food safety, climate change, sustainable growth and job creation in rural areas. The new CAP is more targeted, efficient and more transparent. Direct payments will be fairer and greener. Farmers will enjoy a stronger position within the food production chain.

Making Europe a clean and competitive economy

The MFF 2014–20 marks a major step forward in transforming Europe into a clean and competitive low-carbon economy. At least 20 % of the entire budget will be spent on climate-related projects and policies. The **LIFE** programme, worth €3.5 billion, funds biodiversity and environment protection, with a special focus on climate actions.



The EU supports initiatives contributing to a clean and competitive European low-carbon economy.

Enhancing security

Citizens need to feel safe and at ease wherever they are in the EU. The amounts foreseen for citizens, asylum, migration, health, consumers and security will increase by 26.5 % compared to the previous period. The **Asylum, Migration and Integration Fund**, worth €3.1 billion, promotes the efficient management of migration flows and the implementation of a common approach to asylum and immigration. The **Internal Security Fund**, worth €3.8 billion, aims at combating crime including terrorism. It also facilitates travel to the EU while ensuring a high level of control at the EU's external borders.

More impact for the same money

While there will not be more money available compared to the previous period, it will have to be spent more effectively and in a more targeted manner in order to achieve the ambitious goals of **Europe 2020**. The current MFF will be reviewed in 2016 to orient the EU budget further towards jobs, growth and competitiveness.




Helping the poorest in the world

As a responsible global player, the EU will continue its engagement with the rest of the world, promoting democracy, peace, solidarity, stability, poverty reduction and prosperity. EU funding focuses even more on helping the poorest in the world by concentrating support on fewer countries (like sub-Saharan Africa) and fewer sectors (like sustainable and inclusive growth and good governance). For instance, the **Development Cooperation Instrument**, worth €20 billion, supports many developing countries in their fight against poverty.



The EU supports developing countries in their fight against poverty.

Find out more

- ▶ **EU budget:** http://ec.europa.eu/dgs/budget/index_en.htm
- ▶ **Multiannual financial framework 2014–20:** <http://ec.europa.eu/budget/reform>
- ▶ **Europe 2020:** http://ec.europa.eu/europe2020/index_en.htm
- ▶ **Annual activity reports for the different EU policy areas:**
http://ec.europa.eu/atwork/synthesis/aar/index_en.htm
- ▶ **Myths and facts about the EU budget:** http://ec.europa.eu/budget/explained/myths/myths_en.cfm
- ▶ **EU budget in my country:** <http://ec.europa.eu/budget/mycountry>
- ▶ **Comic book 'On the road to victory':** <http://bookshop.europa.eu/en/on-the-road-to-victory-pbKV0113560/>
- ▶ **2014 EU budget at a glance:** <http://bookshop.europa.eu/en/2014-eu-budget-at-a-glance-pbKV0113742/>
- ▶  <https://www.facebook.com/EUBudget>
- ▶  https://twitter.com/EU_Budget
- ▶  <http://goo.gl/wXZrq>
- ▶ **European Court of Auditors:** <http://www.eca.europa.eu>
- ▶ **European Anti-Fraud Office (OLAF):** http://ec.europa.eu/anti_fraud
- ▶ **Questions about the European Union? Europe Direct can help:** 00 800 6 7 8 9 10 11 —
<http://europedirect.europa.eu>

