What is in the Draft EU budget 2016?

The draft EU budget for 2016 includes commitment appropriations of €153.5 billion and payment appropriations of €143.5 billion. While commitments go down, payments stay roughly stable in real terms. "Commitments" refers to the funding that can be agreed in contracts in a given year (with some of the money only being paid in subsequent years); "payments" to the money actually paid out in that year, also to honour past commitments (see also below).

The table below shows the biggest increases (well above inflation) come in political priority areas such as competitiveness for growth and jobs, security and citizenship (including migration) and global action (including humanitarian aid and crisis management and European neighbourhood policy). The payments also include credits to phase out the backlog of outstanding claims from the past budgetary programming period, which reached €24.7 billion at the end of 2014, while at the same time launching the programmes under the new programming period.

<table>
<thead>
<tr>
<th>APPROPRIATIONS BY HEADING</th>
<th>DB 2016 (nominal change in % since 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commitments</td>
</tr>
<tr>
<td>1. Smart and inclusive growth:</td>
<td>69 440.1 (-10.9%)</td>
</tr>
<tr>
<td>Competitiveness for growth and jobs</td>
<td>18 618.4 (6.1%)</td>
</tr>
<tr>
<td>Economic, social and territorial cohesion</td>
<td>50 821.7 (-15.9%)</td>
</tr>
<tr>
<td>2. Sustainable Growth: natural resources</td>
<td>63 104.4 (-1.2%)</td>
</tr>
<tr>
<td>Market related expenditure and direct aids</td>
<td>42 867.6 (-1.4%)</td>
</tr>
<tr>
<td>3. Security and Citizenship</td>
<td>2 670.0 (9.7%)</td>
</tr>
<tr>
<td>4. Global Europe</td>
<td>8 881.7 (5.6%)</td>
</tr>
<tr>
<td>5. Administration</td>
<td>8 908.7 (2.9%)</td>
</tr>
<tr>
<td>Other special Instruments*</td>
<td>524.6 (-9.8%)</td>
</tr>
<tr>
<td>Total appropriations</td>
<td>153 529.5 (-5.2%)</td>
</tr>
<tr>
<td>In % of EU-28 GNI</td>
<td>1.04%</td>
</tr>
</tbody>
</table>

Note: Other special instruments include the Emergency Aid Reserve (EAR), the European Globalisation Adjustment Fund (EGF) and the European Union Solidarity Fund (EUSF). The corresponding appropriations are considered outside the MFF for the purpose of the calculation of the margins under the ceilings for appropriations.

The draft EU budget for 2016 supports the key initiatives of the Juncker Commission, such as the Energy Union, the Digital Single Market and the European Agenda for Migration. For example, it foresees €1.67 billion for the Connecting Europe Facility and €833 million for the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF), the two main sources of funding for the measures under the
EU policy on migration and security.

**Is the draft EU budget for 2016 actually increasing compared to 2015?**

In real terms (i.e. taking account of the impact of inflation), payments are remaining roughly constant, while commitments go down.

**What are commitments and payments?**

Commitments represent the combined value of contracts that the EU is allowed to sign in any given year. Commitments must then be honoured with payments, either in the same year or (in the case of multi-year projects) in subsequent years.

Payments are the actual money paid in a given year from the EU budget, to cover commitments made that year or in previous years.

For instance, when the EU agrees to co-fund the building of a bridge, the total amount which the EU agrees to cover is a commitment. The bills for the work done are the payments. The EU has to use the money at its disposal to make the payments and cover its original commitments.

**What is the 'payment plan' discussed along with the draft budget 2016?**

Over the years, due to the demand for payments from the EU budget exceeding the money available, some commitments could not be honoured on time and the beneficiaries had to wait until the following year's budget to receive their payments. However, by carrying over payments from one year to the next, each budget was short of money for payments already at the beginning of the year – leading to a steadily increasing amount of unpaid bills (the 'payment backlog'). At the end of 2014 this backlog reached an unprecedented level of €24.7 billion for the 2007-2013 Cohesion programmes.

As part of the negotiations for EU budget 2015, the Commission, the European Parliament and the Council agreed that the Commission would propose how to reduce the backlog by the end of 2016. This is called the 'payment plan'.

The Commission made an analysis and presented it to the European Parliament and to the Council at the end of March. Earlier this month, the three institutions agreed that it is feasible to bring the payment backlog down to a reasonable level of €2 billion at the end of 2016. The Commission's draft budget includes the payments necessary to reach this goal.

**Where does the money go?**

Some 94% of the EU budget is spent on projects in Member States and beyond. It goes to citizens, regions, cities, farmers, businesses, universities, NGOs and more. The EU budget finances the policies of the European Union, which have a positive impact on the lives of all EU citizens and of many people across the world. It funds areas like employment, regional development, research and education, environment, humanitarian aid and many others. For concrete examples, click here.

About 80% of the EU budget is managed jointly with the Member States. This means that Member States are responsible for choosing the beneficiaries and making sure they have done the job they have pledged to do before paying them. Only 6% of the budget goes to administration. The administrative budget supports EU policies on everything from breaking up cartels to reducing mobile roaming charges.

**Where does the money come from?**

At the beginning of each new seven-year planning period (also known as the "Multiannual Financial Framework"), all EU Member States must decide by consensus on the types and maximum amounts of "own resources" that the EU may collect during a year as well as on the method for calculating them.

There are three types of own resources:

- Traditional own resources: consist mainly of customs duties on imports from outside the EU and sugar levies. In the 2007–13 MFF, 75% of the amounts which Member States collected from customs duties and sugar levies went to the EU budget. Member States kept the rest to cover their administration costs.

- Own resources based on value added tax (VAT): 0.3% of Member States' harmonised VAT base also goes to the EU budget.

- Own resources based on gross national income (GNI): each Member State transfers a certain percentage of its wealth to the EU budget (about 1%). These GNI contributions account for 70% of total EU budget revenue.

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

**What is the relative size of the EU budget?**
The EU budget accounts for around 1% of the EU's combined Gross Domestic Product (GDP) or approximately 2% of the public spending of the 28 EU Member States.

Though relatively small in size, it has a big impact: for example, for the period 2007-2013, EU Cohesion funds boosted average GDP by 2.1% a year in Latvia, 1.8% in Lithuania and 1.7% in Poland. EU budget also helps invest in infrastructure, skills and other areas through regional funding; creates jobs through programmes like the Youth Employment Initiative; supports research and innovation thanks to Horizon 2020; or makes sure people get high-quality agricultural products on their table thanks to the Common Agricultural Policy.

**How are the amounts under the EU budget determined?**

The commitments and the payments for a given year need to be below the ceilings for that year set out in the Multiannual Financial Framework, the seven-year budget cycle of the EU. The current framework was negotiated by the Commission, the European Parliament and the Member States in 2013, ahead of the start of current 2014-2020 period.

Each year, the amounts for each of the main categories of expenditure ("headings") are decided based on the expected needs for the following year (while remaining below the ceilings).

**What happens next?**

The European Commission now submits the draft EU budget for 2016 to the European Parliament and the Council, the two arms of the "budgetary authority", for a decision.

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

In case of disagreement between the Parliament and the Council, a specific Conciliation Committee is convened, usually in November. It has 21 days to agree on a common budget, which both institutions should afterwards approve. This year, the period runs between 29 October and 18 November. If the Parliament and the Council cannot find a compromise and the conciliation procedure fails, the Commission must present a new draft budget.

If the three institutions have not agreed on a budget by the beginning of the calendar year in question, negotiations continue. In the meantime, the system of 'provisional twelfths' applies. This would mean that the budget appropriations for each chapter of the budget would be funded monthly, by one twelfth of the previous budget, or by the relevant amount in the draft, whichever is less.

Although this system makes it possible for the EU to continue functioning, it deprives it from making long-term commitments and funding programmes whose implementation goes beyond a single month. So far, this system has applied in 1980, 1985, 1986 and 1988 for up to 6 months.

**More information**

- Press release Draft EU budget 2016
- EU budget at a glance factsheet
- EU budget in my country online
- Myths and Facts about the EU budget
- DRAFT EU BUDGET 2016
- European Commission Vice-President in charge of Budget on Twitter

---

Press contacts

- Alexander WINTERSTEIN (+32 2 299 32 65)
- Andreana STANKOVA (+32 2 295 78 57)

General public inquiries:

- Europe Direct by phone 00 800 67 89 10 11 or by email