



EU annual budgets 2007 - 2013

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Author: Grahame Allen

Section Economic Policy and Statistics Section

The UK's net contribution to the EU budget was estimated to have been £8.1 billion in 2011 and is expected to be £6.9 billion in 2012. UK net contributions are expected to rise in future years, with the Treasury forecasting a net contribution of £8.3 billion in 2016/17.

This note sets out the main principles that determine the shape and size of the European Union (EU) Budget for the period 2007-2013. It outlines the budget setting processes, contributions the UK makes, details of the UK abatement, and contributions by other Member States.

The note then looks at the current legislative position with regards to the:

2011 EU Budget: adopted when a joint text was approved by Parliament on 15 December 2010.

2012 EU Budget: adopted when a joint text was approved by Parliament on 1 December 2011.

2013 EU Budget: adopted when a joint text was approved by Parliament on 12 December 2012.

Discussions over the shape of the future budgets for 2014-2020 onwards are currently underway and this is the subject of a separate Library Standard Note: [EU Multiannual Financial Framework \(MFF\) 2014-2020](#).

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Contents

1	The Budget Structure 2007-2013	3
1.1	Multiannual Financial Framework 2007-2013	3
1.2	The annual budget procedure	3
1.3	Timetable	4
	Amending budgets	5
2	EU Expenditure	5
2	EU resources (revenues)	5
2.1	The effect of exchange rates	7
3	The UK's abatement	8
4	Member State contributions to the EU Budget	9
5	The UK and the EU Budget	11
6	The 2011 Budget	13
7	The 2012 Budget	14
8	The 2013 Budget	14
8.1	Current situation	15
9	Future EU budgets	15

1 The Budget Structure 2007-2013

The basis for budgeting in the EU is a Multiannual Financial Framework (MFF) set for a period of years. The current MFF runs from 2007 to 2013 and was agreed in 2006. In addition, there is an annual budgeting process which runs each year, mapping out final expenditure for the following year within the limits (ceilings) set by the MFF.

1.1 Multiannual Financial Framework 2007-2013

The [Interinstitutional Agreement](#) (IIA) of 17 May 2006 on budgetary discipline and sound financial management contains the MFF table for the EU-27 for 2007-2013.¹

TABLE 1: FINANCIAL FRAMEWORK 2007-2013

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	50 865	53 262	55 879	56 435	55 693	57 708	58 696	388 538
1a Competitiveness for Growth and Employment	8 404	9 595	12 018	12 580	11 306	12 677	13 073	79 653
1b Cohesion for Growth and Employment	42 461	43 667	43 861	43 855	44 387	45 031	45 623	308 885
2. Preservation and Management of Natural Resources	51 962	54 685	51 023	53 238	52 136	51 901	51 284	366 229
of which: market related expenditure and direct payments	43 120	42 697	42 279	41 864	41 453	41 047	40 645	293 105
3. Citizenship, freedom, security and justice	1 199	1 258	1 375	1 503	1 645	1 797	1 988	10 765
3a Freedom, Security and Justice	600	690	785	910	1 050	1 200	1 390	6 825
3b Citizenship	599	568	590	593	595	597	598	4 140
4. EU as a global player	6 199	6 469	6 739	7 009	7 339	7 679	8 029	49 463
5. Administration ⁽¹⁾	6 633	6 818	6 816	6 999	7 044	7 274	7 610	49 194
6. Compensations	419	191	190	0	0	0	0	800
TOTAL COMMITMENT APPROPRIATIONS	117 277	122 683	122 022	125 184	123 857	126 359	127 607	864 989
as a percentage of GNI	1.08%	1.09%	1.08%	1.08%	1.03%	1.03%	1.01%	1.049%
TOTAL PAYMENT APPROPRIATIONS	115 142	119 805	109 091	119 245	116 394	120 649	120 418	820 744
as a percentage of GNI	1.06%	1.06%	0.95%	1.01%	0.97%	0.98%	0.98%	1.00%
Margin available	0.18%	0.18%	0.29%	0.22%	0.26%	0.25%	0.27%	0.23%
Own Resources Ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.23%	1.23%	1.23%	1.23%	1.23%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.

Part of the political deal achieved in December 2005 over the financial perspective for 2007-2013 required a change to the own resources side of the budget. In the UK this approval was provided through the [European Communities \(Finance\) Act 2008](#).² Following approval by all Member States the new Own Resources Decision (ORD) came into effect on 1 March 2009 with changes backdated to 1 January 2007.

As part of the December 2005 agreement on the financial framework for the period 2007-13, the Commission were to publish a review of the Budget in 2009. This was published in October 2010.³ Further information on the 2007-2013 agreement and UK parliamentary approval is detailed in a Library Research Paper.⁴

1.2 The annual budget procedure

The annual budget cycle begins with the Commission proposing a draft budget based upon the 'ceilings' agreed under the MFF. The current MFF was set at 2004 prices and an adjustment is made at the beginning of each year to take account of changes in Gross National Income (GNI) forecasts, price changes and other 'technical' changes. The table below shows the agreed ceilings as adjusted for each year.⁵

¹ [OJ C 139/1](#) of 14 June 2006

² Available at: www.opsi.gov.uk/acts/acts2008/pdf/ukpga_20080001_en.pdf

³ See: http://ec.europa.eu/budget/reform/index_en.htm

⁴ Library Research Paper 07/77 [The European Communities \(Finance\) Bill](#)

⁵ [COM\(2012\) 184 final](#), 20 April 2012

TABLE 2: FINANCIAL FRAMEWORK (EU-27) ADJUSTED FOR 2013

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53 979	57 653	61 696	63 556	63 974	67 614	70 147	438 618
1a Competitiveness for Growth and Employment	8 918	10 388	13 289	14 167	12 987	14 853	15 623	90 203
1b Cohesion for Growth and Employment	45 061	47 267	48 427	49 388	50 987	52 761	54 524	348 415
2. Preservation and Management of Natural Resources	55 143	59 193	56 333	59 955	59 888	60 810	61 289	412 611
of which: market related expenditure and direct payments	45 759	46 217	46 679	47 146	47 617	48 093	48 574	330 085
3. Citizenship, freedom, security and justice	1 273	1 362	1 518	1 693	1 889	2 105	2 376	12 216
3a Freedom, Security and Justice	637	747	867	1 025	1 206	1 408	1 661	7 549
3b Citizenship	636	615	651	668	683	699	715	4 667
4. EU as a global player	6 578	7 002	7 440	7 893	8 430	8 997	9 595	55 935
5. Administration ⁽¹⁾	7 039	7 380	7 525	7 882	8 091	8 523	9 095	55 535
6. Compensations	445	207	210	0	0	0	0	862
TOTAL COMMITMENT APPROPRIATIONS	124 457	132 797	134 722	140 978	142 272	148 049	152 502	975 777
as a percentage of GNI	1.02%	1.08%	1.16%	1.18%	1.15%	1.13%	1.15%	1.12%
TOTAL PAYMENT APPROPRIATIONS	122 190	129 681	120 445	134 289	133 700	141 360	143 911	925 576
as a percentage of GNI	1.00%	1.05%	1.04%	1.12%	1.08%	1.08%	1.08%	1.06%
Margin available	0.24%	0.19%	0.20%	0.11%	0.15%	0.15%	0.15%	0.17%
Own Resources Ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.23%	1.23%	1.23%	1.23%	1.23%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.

The budget for each year forecasts both Commitment Appropriations (CA) and Payment Appropriations (PA). CA are the limit of legal obligations that can be made in the budget year for activities that will lead to payments in the current and/or future budget years (amounts committed but not paid) while PA are the amounts of funds available to be spent during the budget year, arising from commitments in the budget for the current or preceding years (actual amounts to be paid).

CA and PA tend to differ because multiannual programmes and projects are **committed** in the year they are decided but are **paid out** over the years of implementation. Thus, if the EU budget increases, due for example to a new programme for regional development, CA will increase before PA does. Not all projects and programmes are 'concluded', and appropriations for payments are therefore lower than for commitments.⁶

1.3 Timetable

The general principles governing the annual budget procedures (and the principle of budgetary discipline) are given in Article 310 to 316 of the TFEU. The timetable for the annual budget is given in Article 314 and states that:

The Commission shall submit a proposal containing the draft budget to the European Parliament and to the Council not later than 1 September of the year preceding that in which the budget is to be implemented

In practice, the Commission 'endeavours' to present the draft budget in April/May of the preceding year. The Commission's proposals for the draft budget provide forecasts and authorises for each financial year "an estimate of future costs and revenue and expenditures and their detailed description and justification".⁷ The Commission then submits its proposals to the Council and the European Parliament. The budgetary authority (comprised of the Council and the Parliament) then amends and adopts the draft budget. The Council, by 1 October, adopts its position and informs the Parliament. The budget is then adopted if, within 42 days, Parliament either approves the Council's position or does not take a decision.

⁶ EC website: http://ec.europa.eu/budget/explained/glossary/glossary_en.cfm#

⁷ EC website: http://ec.europa.eu/budget/explained/management/deciding/deciding_detail/decide_detail_en.cfm

If the Parliament instead adopts amendments to the draft budget then a Conciliation Committee (CC), composed of the members of the Council or their representatives and an equal number of members representing the European Parliament, is convened. The CC then has the task of reaching agreement on a joint text within a period of 21 days (subject to the approval of both arms of the budgetary authority). Should the agreed text be rejected by the Council, Parliament has the right to ultimately approve the budget.⁸

Amending budgets

Amending budgets are a measure which takes into account changes (political, economic or administrative) which could not have been foreseen during the procedure that led to the adopted budget.

2 EU Expenditure

The EU's expenditure breaks down into several broad categories. These are shown below along with the percentage of the total 2012 adopted Budget (expressed as payment appropriations) represented by that line.

- **Sustainable Growth** covers funding to assist “transforming the EU economy into a knowledge-based economy, which involves adequate investment in research, learning, and innovation”. It also funds regional growth and development (43%);
- **Preservation and Management of Natural Resources (*Agriculture*)** is the largest single item of expenditure. This is the main budget line for funding the common agricultural policy (CAP), rural development and fisheries policy (45%);
- **Citizenship, Freedom, Security and Justice** includes funding for culture, youth and public health (1%);
- **The EU as a global player** includes support to the EU's foreign policies and international development. Pre-accession aid is also included here (5%);
- **Administration** includes expenditure on the salaries, allowances and pension costs for staff and members (6%); and
- **Compensations** which ensure that no new Member States will be a net contributor at the start of their membership (less than 1%).⁹

2 EU resources (revenues)

Member States' financial contributions to the EU are based on the provisions of the Own Resources Decision (ORD). The ORD originates from the 1957 Treaty of Rome, and the current decision was finalised in June 2007 and took effect from 1 March 2009.¹⁰ The previous ORD was approved in September 2000 and took effect from 1 January 2002.¹¹ Further detail on the ORD currently in force is provided in the Library Research Paper previously referred to.¹²

⁸ *ibid.*

⁹ HM Treasury, *European Union Finances 2012*, July 2012, Cm 8405, p8-9

¹⁰ [Own Resources Decision of 7 June 2007 \(2007/436/EC\)](#)

¹¹ [Own Resources Decision of 29 September 2000, 2000/597/EC](#)

¹² Library Research Paper 07/77 *The European Communities (Finance) Bill*

Contributions by Member States to the Budget consist of four elements, called 'own resources'. These elements are summarised below with the percentage of the total 2012 adopted Budget total own resources represented by that element:¹³

- **Customs duties, including those on agricultural products.** These are paid on a range of commodities imported from non-member countries. Following the agreement on agriculture during the Uruguay GATT Round, most agriculture duties are now fixed. However, for some key commodities, they continue to vary in line with changes in world prices (less than 1%);
- **Sugar levies.** These are charged on the production of sugar to recover part of the cost of subsidising the export of surplus Union sugar onto the world market (15%);
- **Contributions based on VAT.** Essentially, the VAT base is the amount yielded by applying a notional rate of 1% to an identical range of goods and services in each Member State (the VAT base). Each Member State's VAT base is currently subject to a cap of 50% of 1% of its GNI. A call-up rate (set at a maximum of 0.3%) is then applied to the capped VAT base (11%); and
- **GNI-based contributions.** The amount due is calculated by taking the same proportion of each Member State's GNI. Because the EU is not allowed to borrow, revenue must equal expenditure. The GNI resource is the budget-balancing item; it covers the difference between total expenditure in the Budget and the revenue from the other three resources, subject to the overall own resources ceiling (74%).

The first two own resources are known collectively as 'Traditional Own Resources' (TOR). The VAT and GNI-based contributions are often referred to as the 'Third' and 'Fourth' Own Resources respectively.

Member States' total contributions may not exceed the overall annual ceiling on own resources established by the ORD. The ceiling was set at 1.24% of Community GNI (which was the equivalent of 1.27% of EU27 GNP) to 2009 and 1.23% of GNI onwards. This cap was fixed from 2002 and the change in the percentage of GNI occurred due to the inclusion of Financial Intermediation Services Indirectly Measured (FISIM) in the calculation of EU GNI from 2009. As the Community cannot borrow, the amount of revenue available is effectively limited by this rule. In 2012, the adopted Budget expenditure is equal to 0.98% of EU GNI (payment appropriations, commitment appropriations are 1.12% of EU GNI).

The VAT element used to be the largest source of revenue for the Community. But by the 2000 EC supplementary budget and 2001 adopted Budget it accounted for only some 40% and 37%, respectively, of Member States' gross contributions, whereas fourth resource contributions (including contributions to Community reserves) accounted for 44% and 48% respectively. In the 2012 adopted Budget, VAT accounts for 11% of total own resources, while GNI accounts for 74%. It is expected that fourth resource contributions will continue to form the largest single element of revenue for the EU.

Member States pay their contributions for a given budget year in twelve monthly instalments. The VAT and GNI based contributions are subsequently adjusted in the light of a number of

¹³ HM Treasury, *European Community Finances : Statement on the 2009 EC Budget and measures to counter fraud and financial mismanagement*, July 2009, Cm 7640, p41 and HM Treasury, *European Union Finances 2012*, July 2012, Cm 8405, p32

factors such as outturn figures for GNI. If outturn expenditure is below the amount raised from Member States, contributions for the following year are adjusted downwards, or in some years excess contributions are refunded in a subsequent budget. For example, a surplus in the 2010 Budget reduced the contributions required in the 2011 Budget.¹⁴

2.1 The effect of exchange rates

The annual budget process starts in the early months of the year prior to the Budget where the amounts due from each country are assessed in their own currency (e.g. sterling for the UK). An estimate is made for TOR, and then the VAT and GNI based contributions are calculated based on Member State estimates of economic activity. These estimates are converted at the 'budget exchange rate' which is a rate from around the time of the budget being drawn up and usually an early May rate. The amounts due are then calculated in euros, based on the estimated expenditure requirements (subject to the limits of the ORD).

However, the sterling/euro exchange rate on the last working day prior to the start of the budget year (the last working day in December) is established as the rate by which UK VAT and GNI based contributions are converted for the budget year. This rate is then used for UK payments over the course of the year, meaning payments in sterling are effectively fixed. TOR payments are unaffected by exchange rates as they are collected in sterling. There is an amending budget during the year to update the VAT and GNI-based calculations with the exchange rate for the last working day of December.

Subject to the timetable above, GNI payments (the largest part of own resources) are calculated on each Member States' proportion of EU GNI. A falling (sterling) exchange rate will reduce the UK's proportion and therefore the UK's contribution (as denominated in euros). However, the cost of financing each 'euro' of payment is clearly higher, and additional contributions are required by all Member States to make up for a shortfall in GNI-based receipts. These changes therefore work against each other.

UK receipts from the EU Budget are calculated in euros and therefore increase in sterling terms if sterling depreciates against the euro (the fixed exchange rate does not apply to receipts). The overall effect of a depreciation of sterling against the euro is that UK net contributions fall, due to the offsetting effect of GNI contributions and an increase in the value of receipts. This was set out by the then Economic Secretary to the Treasury, Ian Pearson, in a debate on financial management in the EU on 20 January 2009:¹⁵

I said that I wanted to speak about the depreciation of sterling and its effect on EU budget contributions. I think that there is perhaps some misunderstanding among some Members as well as among people outside about the impact of sterling's recent depreciation on our contributions to the EU budget. That depreciation will lead to a small increase in UK gross contributions, but it is likely to be more than offset by an increase in the sterling value of UK receipts, which will mean that the UK benefits rather than loses out in net terms.

It is not the case that if the pound depreciates by 20 per cent., UK contributions increase by 20 per cent. The actual effect is much smaller. Let me explain why.

UK and other member state contributions are not fixed in cash amounts, but are based on country contributions, largely made as a fixed proportion of their gross national income as measured in euros. Depreciation of sterling therefore acts to reduce our

¹⁴ [Definitive adoption of amending budget No 2 of the European Union for the financial year 2011](#), 2011/495/EU

¹⁵ [HC Deb 20 Jan 2009 c658-9W](#)

budget contributions in euros, creating a budget shortfall that all member states must make up in proportion to their GNI. While the UK incurs some costs, they are offset considerably by the remaining member states. We pay our GNI share of the shortfall—not 2 per cent., but our GNI share, which is likely to be roughly 12 per cent. of the total budget, so it amounts to a 2.5 per cent. additional contribution. On the other hand, there is generally a one-to-one effect on receipts, so a 20 per cent. depreciation of sterling will see UK receipts rise by 20 per cent. Although contributions are larger than receipts, the net effect will be far less than 20 per cent., meaning that we are likely to gain overall. I hope that that is helpful in explaining the overall budgetary position.

An explanation of exchange rate calculations is also given in Technical Annex B of [European Union Finances 2012](#).¹⁶

3 The UK's abatement

All the above applies to the UK in the same way as it applies to all other Member States; however, the UK's contributions are subject to adjustment due to the UK's abatement. This is calculated according to a formula set out in the ORD in 1988, revised in 1994, 2000 and 2007. It originated from the Council meeting at Fontainebleau in 1984, which replaced annual negotiations to reduce the UK's net contribution with an automatic reduction.

Broadly, the abatement is equal to 66% of the UK's net contribution to the budget,¹⁷ subject to the following points:

- the abatement applies only in respect of spending within the EU. Expenditure outside the Union (mainly EU overseas aid), amounting to around 5% of total Budget expenditure in 2011, is excluded;
- from 2009 onwards non-agricultural expenditure in the Member States that have acceded to the EU after April 2004 is excluded. This was phased in up to 2011, and the effect was limited up to a total of €10.5 billion (in 2004 prices) up to the end of 2013;
- the UK's contribution is calculated as if the budget were entirely financed by VAT; and
- the abatement is deducted from the UK's VAT contribution a year in arrears.

The Commission calculates the abatement on the basis of its estimates of the likely outturn for payments from the Budget in-year, and of its estimates of Member States' contributions to the Budget. This is then corrected in the light of actual outturn figures - both for payments from the budget and for Member States' contributions. Corrections may be made up to three years after the year in respect of which the abatement relates, after which a final reckoning is made in the fourth year. The precise formula for the calculation of the UK abatement is set out in Article 4 of the ORD.¹⁸

The UK abatement in 2011 (in respect of 2010) is expected to be £3.1 billion. By the end of 2012, the total abatement made since Fontainebleau in 1984 is expected to be around £73 billion (see Table 6).

¹⁶ HM Treasury, [European Union Finances 2012](#), July 2012, Cm 8405, pp35-7

¹⁷ i.e. difference between what the UK contributes to the Budget and what the UK receives from it (in terms of EU grants and expenditure in the UK)

¹⁸ [Own Resources Decision of 7 June 2007 \(2007/436/EC\)](#)

In short, the UK's budgetary imbalance reflects the difference between its share of allocated expenditure (about 5% of the 2011 EU Budget) and its VAT contribution (about 17% in 2011). Other things being equal, the UK abatement increases if:

- the level of allocated EU spending increases;
- the UK proportion of uncapped VAT contributions rises;
- the UK's share of allocated spending falls.

A number of further adjustments are made in the calculation of the abatement as detailed in the ORD and a Commission Working Document.¹⁹

The UK abatement is not popular with other Member States or the Commission and, formally or informally, it is periodically challenged by them. However, it should be noted that any change to the abatement and the ORD requires unanimity in the Council.

Further information on the changes made in 2007 is available in a Library Research Paper.²⁰

4 Member State contributions to the EU Budget

Table 3 overleaf shows EU budget contributions and expenditure by Member State over the 2007-2013 period where available. The table includes the total net contribution by Member State and the same figure on a per head basis for 2011. These figures are based on data published by the European Commission and show the budgetary balance excluding non-EU related funding. An example of non-EU related funding is EU overseas development aid. The figures do include administration expenditure which can have a significant effect on the contributions of some Member States, such as Belgium and Luxembourg, where in 2011 the EU spent €6,797 million and €1,549 million respectively.

The table shows that in the last available year (2011), the UK net contribution on this basis was €7,255 million.

Each year the Treasury explains the differences between the net contribution figures published by the Commission and those published in *European Union* (previously Community) *Finances*.²¹ This publication covers just the UK, and the latest edition covers the difference in 2010. The difference between the European Commission figures and Treasury figures amounted to £539 million in 2010. Private sector receipts are counted in the European Commission figures (£1,015 million in 2010), while the Treasury considers public sector receipts only. The late adoption of an amending Budget for 2009 meant that implementation of this was not until February 2010 meaning the Government's figures are £421 million lower than the Commission's. The remaining differences relate to factors such as the exchange rate. The Commission also tries to match payments to particular budgets while the Treasury look at the cash-flows in a particular year. The European Commission figures are the best available for Member State comparisons.

¹⁹ [Commission Working Document on calculation, financing, payment and entry in the budget of the correction of budgetary imbalances in favour of the United Kingdom](#), 23 May 2007

²⁰ Library Research Paper 07/77 [The European Communities \(Finance\) Bill](#)

²¹ HM Treasury, [European Union Finances 2012](#), July 2012, Cm 8405, p36

Table 3: EU Budgetary Balances by Member State 2007-2013

€ million, includes administrative expenditure

	Expenditure					Contributions (b)							Net Contribution						
	2007	2008	2009	2010	2011	2012 (Adopted Budget)	2013 (Draft Budget)	2007	2008	2009	2010	2011	2012 (Adopted Budget)	2007	2008	2009	2010	2011	2011 (€ per head)
Belgium	5,679	6,108	5,629	6,145	6,797	n.a.	n.a.	4,372	4,631	4,661	4,783	4,927	5,233	-1,307	-1,477	-968	-1,362	-1,870	-124
Bulgaria	591	972	979	1,222	1,107	n.a.	n.a.	291	364	390	353	395	412	-301	-608	-589	-870	-712	-118
Czech Republic	1,721	2,441	2,949	3,416	3,029	n.a.	n.a.	1,167	1,396	1,374	1,498	1,683	1,599	-554	-1,045	-1,574	-1,918	-1,347	-183
Denmark	1,449	1,557	1,328	1,526	1,473	n.a.	n.a.	2,219	2,301	2,491	2,380	2,448	2,596	770	744	1,163	855	975	154
Germany	12,484	11,194	11,713	11,825	12,133	n.a.	n.a.	21,710	22,215	20,510	23,773	23,127	25,439	9,226	11,021	8,797	11,947	10,994	146
Estonia	377	368	716	808	505	n.a.	n.a.	177	161	158	142	159	165	-200	-207	-558	-666	-346	-497
Greece	8,429	8,514	5,434	5,749	6,537	n.a.	n.a.	3,020	2,328	2,425	2,310	1,903	1,381	-5,409	-6,186	-3,009	-3,439	-4,634	-752
Spain	12,796	12,094	11,614	13,190	13,599	n.a.	n.a.	9,838	9,966	11,170	10,095	11,046	2,206	-2,958	-2,128	-444	-3,095	-2,553	-274
France	13,897	13,722	13,632	13,105	13,162	n.a.	n.a.	16,989	18,025	20,093	19,581	19,617	11,316	3,092	4,303	6,461	6,476	6,455	140
Ireland	2,157	2,052	1,378	2,066	1,639	n.a.	n.a.	1,586	1,577	1,534	1,394	1,339	20,881	-570	-475	156	-671	-301	-10
Italy	11,315	10,306	9,372	9,497	9,586	n.a.	n.a.	14,024	15,145	15,418	15,332	16,078	16,443	2,709	4,838	6,046	5,835	6,492	96
Cyprus	127	130	172	178	184	n.a.	n.a.	170	180	199	185	185	201	43	50	27	7	1	8
Latvia	675	610	710	844	911	n.a.	n.a.	199	710	216	175	182	191	-476	-395	-495	-669	-729	-322
Lithuania	1,044	1,134	1,790	1,602	1,653	n.a.	n.a.	271	329	322	269	302	324	-773	-805	-1,468	-1,333	-1,351	-437
Luxembourg	1,256	1,410	1,454	1,554	1,549	n.a.	n.a.	296	259	287	261	293	324	-960	-1,150	-1,167	-1,293	-1,255	-2,526
Hungary	2,428	2,003	3,569	3,650	5,331	n.a.	n.a.	870	947	909	955	937	1,101	-1,557	-1,056	-2,660	-2,695	-4,394	-270
Malta	89	87	72	112	135	n.a.	n.a.	57	60	64	61	66	71	-32	-27	-7	-51	-69	-123
Netherlands	1,916	2,267	1,850	2,146	2,064	n.a.	n.a.	6,303	6,669	3,337	5,614	5,869	6,359	4,386	4,402	1,488	3,467	3,805	208
Austria	1,598	1,777	1,817	1,822	1,876	n.a.	n.a.	2,218	2,194	2,316	2,627	2,689	2,706	620	417	499	805	813	96
Poland	7,786	7,639	9,253	11,822	14,441	n.a.	n.a.	2,809	3,473	3,134	3,657	3,580	4,061	-4,978	-4,167	-6,119	-8,165	-10,860	-212
Portugal	3,904	4,117	3,724	4,379	4,715	n.a.	n.a.	1,460	1,466	1,637	1,848	1,734	1,648	-2,444	-2,651	-2,087	-2,531	-2,981	-239
Romania	1,602	2,666	2,951	2,317	2,659	n.a.	n.a.	1,089	1,218	1,342	1,143	1,226	1,360	-513	-1,449	-1,609	-1,174	-1,434	-55
Slovenia	390	456	616	756	847	n.a.	n.a.	359	408	428	387	401	422	-31	-48	-189	-369	-446	-180
Slovakia	1,083	1,242	1,192	1,905	1,785	n.a.	n.a.	519	595	712	647	694	756	-563	-647	-481	-1,258	-1,091	-233
Finland	1,423	1,321	1,208	1,310	1,293	n.a.	n.a.	1,629	1,710	1,814	1,702	1,955	1,986	206	389	606	393	662	73
Sweden	1,659	1,464	1,452	1,646	1,757	n.a.	n.a.	2,915	3,223	1,855	3,243	3,334	3,534	1,256	1,759	403	1,597	1,577	170
UK	7,423	7,310	6,247	6,746	6,570	n.a.	n.a.	13,429	10,114	10,112	14,659	13,825	14,798	6,006	2,804	3,864	7,914	7,255	127
Total (a)	113,953	116,545	118,361	122,231	129,395	129,106	137,924	117,563	121,584	117,626	127,795	130,000	126,727	..	..	..	..	..	..

Notes: Negative net contribution indicates Member State is a net recipient

(a) Total includes non-EU revenue and expenditure and therefore is not the sum of expenditure and revenue by Member State.

(a) Total revenue includes surplus from previous year.

(a) Total expenditure for 2012 and 2013 are Payment Appropriations

Sources: European Commission, *interactive graph on EU expenditure and revenue*, available at:

http://ec.europa.eu/budget/financialreport/chart/index_en.html

2012 contributions: 2012/70/EU, Euratom available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:056:0001:0556:EN:PDF>

(b) 2012 Total does not include surpluses from previous years etc

Net contribution per head based on Eurostat population estimates for 1 January 2011

n.a. Not available

2012 & 2013 expenditure: *DRAFT: General budget of the European Union for the financial year 2013*, available at:

<http://eur-lex.europa.eu/budget/data/DB2013/EN/SEC00.pdf>

Eurostat population data, downloaded 5 November 2012

5 The UK and the EU Budget

Table 4 below shows UK contributions and public sector receipts to and from the EU Budget in detail for 2002 to 2012.

Table 4: UK Contributions to and public sector receipts from the EU Budget
£ million

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture and Sugar Levies	261	255	279	324	308	307	349	200	8	8	9
Customs Duties	1,029	1,190	1,288	1,428	1,433	1,508	1,615	1,802	2,146	2,216	2,286
VAT Own Resources	2,720	2,776	1,764	1,980	2,164	2,293	2,254	1,733	2,172	2,174	2,090
Fourth Resource Payments (GNI)	5,265	6,629	7,555	8,681	8,357	7,994	8,624	10,670	10,689	10,922	10,637
VAT and Fourth Resource Adjustments	164	116	9	154	165	354	-189	-277	181	36	-
Gross Contributions	9,439	10,966	10,895	12,567	12,427	12,456	12,653	14,128	15,196	15,356	15,022
UK Abatement	-3,099	-3,559	-3,593	-3,656	-3,569	-3,523	-4,862	-5,392	-3,047	-3,143	-3,172
Total Contributions	6,340	7,407	7,302	8,911	8,857	8,933	7,791	8,737	12,150	12,214	11,850
EAGGF Guarantee	2,481	2,663	2,737	2,935	2,947	2,791	2,465	..	..	..	..
EAGGF Guidance	..	2	50	80	51	23	416	..	..	..	..
FEAGA	..	..	..	..	..	..	..	2,910	2,910	2,667	4,270
EAFRD	..	..	..	..	..	..	..	215	439	419	319
ERDF	296	621	1,062	1,403	591	707	971	639	758	604	50
ESF	412	427	433	899	1,331	795	608	609	643	389	309
Other Receipts	13	15	12	13	27	7	3	28	26	34	6
Total Public Sector Receipts	3,201	3,728	4,294	5,329	4,948	4,323	4,463	4,401	4,775	4,112	4,954
Net Contribution	3,138	3,679	3,008	3,581	3,909	4,610	3,329	4,336	7,375	8,102	6,895

Notes: Data relates to payments made during the calendar year, not particular EU Budgets
2012 figures are forecast

Source: HM Treasury, *European Community/Union Finances*, latest edition published July 2012, Cm 8405

While the EU budget is run on a calendar year basis, UK budgets are based on financial years. The latest data available on UK contributions was published on a financial year basis in [European Union Finances 2012](#).²²

The plans through to 2016/17 are shown in table 5:

Table 5: Net contribution to the EU Budget, Financial Years, 2010/11 to 2016/17

£ billion

	Outturn 2010/11	Estimated Outturn 2011/12	Plans				
			2012/13	2013/14	2014/15	2015/16	2016/17
Net contribution	8.9	7.4	7.0	8.3	9.4	8.9	8.3

Source: HM Treasury, *European Union Finances*, July 2012, Cm 8405

The UK contribution is expected to rise noticeably from 2012/13 onwards, but it should be noted that these plans are 'uncertain' due to difficulties in forecasting UK net contributions prior to adoption of the MFF for 2014-2020. Differences between tables 3 and table 4 are due to timing (financial versus calendar year) and variations in payment patterns.

Table 6 overleaf sets out the UK's overall contributions and receipts to and from the EU Budget from 1973 to 2012:

²² HM Treasury, [European Union Finances 2012](#), July 2012, Cm 8405, p17

Table 6: UK net contributions to the EC Budget 1973-2012

£ million

	Gross contribution	Negotiated refunds	Abatement	Total contribution (after abatement and refunds)	Public sector receipts	Net Contribution (Gross contribution - refunds and abatement - public sector receipts)
1973	181			181	79	102
1974	181			181	150	31
1975	342			342	398	-56
1976	463			463	296	167
1977	737			737	368	369
1978	1,348			1,348	526	822
1979	1,606			1,606	659	947
1980	1,767	98		1,669	963	706
1981	2,174	693		1,481	1,084	397
1982	2,863	1,019		1,844	1,238	606
1983	2,976	807		2,169	1,522	647
1984	3,204	528		2,676	2,020	656
1985	3,940	61	166	3,713	1,905	1,808
1986	4,493		1,701	2,792	2,220	572
1987	5,202		1,153	4,049	2,328	1,721
1988	5,138		1,594	3,544	2,182	1,362
1989	5,585		1,154	4,431	2,116	2,315
1990	6,355		1,697	4,658	2,183	2,475
1991	5,807		2,497	3,309	2,765	544
1992	6,738		1,881	4,857	2,827	2,030
1993	7,985		2,539	5,446	3,291	2,155
1994	7,189		1,726	5,463	3,253	2,211
1995	8,889		1,207	7,682	3,665	4,017
1996	9,133		2,412	6,721	4,373	2,348
1997	7,991		1,733	6,258	4,661	1,597
1998	10,090		1,378	8,712	4,115	4,597
1999	10,287		3,171	7,117	3,479	3,638
2000	10,517		2,085	8,433	4,241	4,192
2001	9,379		4,560	4,819	3,430	1,389
2002	9,439		3,099	6,340	3,201	3,139
2003	10,966		3,559	7,407	3,728	3,679
2004	10,895		3,593	7,302	4,294	3,008
2005	12,567		3,656	8,911	5,329	3,581
2006	12,426		3,569	8,857	4,948	3,909
2007	12,456		3,523	8,933	4,332	4,601
2008	12,653		4,862	7,791	4,497	3,294
2009	14,129		5,392	8,737	4,401	4,336
2010	15,197		3,047	12,150	4,775	7,375
2011	15,357		3,143	12,214	4,112	8,102
2012	15,021		3,172	11,849	4,954	6,895
Totals	283,667	3,206	73,268	207,193	110,909	96,283

Note: 2012 are estimated, all other data based on outturn

Source: HM Treasury

HM Treasury, *European Union Finances*, latest edition published July 2012, Cm 8405

6 The 2011 Budget

The 2011 annual budget was the fifth annual budget executed under the 2007-2013 MFF. In the draft EU budget for 2011 presented on 27 April 2010, the Commission proposed €142.6 billion in Commitment Appropriations (CA) and called for a 5.9% increase in Payment Appropriations (PA) compared to the 2010 budget totalling €129.1 billion.²³

On 12 August 2010, the Council set CA at €141.8 billion and reduced PA to €126.5 billion, an increase of around 2.9% compared to 2010.²⁴ The House debated the issue on [13 October 2010](#).²⁵ This followed a referral for debate from the European Scrutiny Committee.²⁶

On 20 October 2010, the European Parliament called for a 6% increase compared to the 2010 budget and proposed CA of €143.1 billion. The level of PA was set at €130.6 billion.²⁷ The Council did not accept the European Parliament's amendments on 25 October²⁸ and a Conciliation Committee (CC) was set up between the Council and Parliament with 21 days to come up with a joint text.²⁹

The Conciliation Committee did not reach an agreement and the Commission had to present a new draft budget to reflect the "near-compromise" reached in the conciliation. The new draft budget presented by the Commission on 26 November 2010 was accepted by the Council on 10 December and adopted by Parliament on 15 December.³⁰ The EU budget adopted for 2011 set CA at €141.9 billion and PA at the level requested by the Council in August 2010, i.e. €126.5 billion. During 2011, a total of seven amending budgets were adopted and the final budget was €128.3 billion:

Heading	Initial voted budget (without reserve)	Carryover from 2010	Amending budgets	Total impact of transfers	Unused reserve	Final budget
1a Competitiveness	11 628	270	- 104	80		11 874
1b Cohesion	41 652	11	453	285		42 401
2 Natural resources	56 327	419	- 433	- 100		56 212
3a Freedom, Security and Justice	800	26	44	- 9	1	862
3b Citizenship	646	72	235	- 3		950
4 EU as a global player	7 144	38	34	- 125		7 092
5 Administration	8 169	745	0	1	1	8 917
Total	126 367	1 582	229	129	2	128 308

In 2011, total executed (final) EU expenditure amounted to €126.7 million.³¹

²³ [SEC \(2010\) 473](#)

²⁴ European Council, [Council adopts its position on the EU draft budget 2011](#), 12 August 2010

²⁵ [HC Deb 13 Oct 2010 c409](#)

²⁶ [European Scrutiny Committee, First Report of session 2010-11, HC 428-i, 22 September 2010](#)

²⁷ EP news release, [MEPs vote for moderate budget for 2011](#), Oct 2010

²⁸ Council Press Release, [General Affairs Council](#), 25 October 2010

²⁹ See: http://ec.europa.eu/budget/budget_detail/deciding_en.htm

³⁰ EC, [EU budget 2011 Financial Report](#), 2012

³¹ *ibid.*

7 The 2012 Budget

The 2012 annual budget will be the sixth annual budget executed under the 2007-2013 MFF. In the draft EU budget for 2012 presented on 20 April 2011, the Commission proposed €147.4 billion in CA and called for a 4.9% increase in PA compared to the 2011 EU Budget totalling €132.7 billion.³²

On 25 July 2011, the Council, in its [adopted position](#), set CA at €146.2 billion and reduced PA to €129.1 billion, an increase of around 2.0% compared to the 2011 EU Budget.³³ On 26 October 2011, the European Parliament took its [position](#) and called for a 5.2% (PA) increase compared to the 2011 EU Budget. It proposed CA of €147.8 billion and the level of PA was set at €133.1 billion.³⁴

The Council did not accept the European Parliament's amendments and a Conciliation Committee (CC) was set up between the Council and Parliament. The CC reached an agreement on a [joint text](#) and this was accepted by the Council on 30 November³⁵ and adopted by Parliament on 1 December.³⁶ The EU budget adopted for 2012 set the commitment appropriations at €147.2 billion and payment appropriations close to the level requested by the Council in July 2011, €129.1 billion.

8 The 2013 Budget

The 2013 annual budget will be the seventh and final annual budget executed under the 2007-2013 MFF. In the draft EU Budget for 2013 presented 25 April 2012, the Commission proposed €150.9 billion in CA and called for a 6.8% increase in PA compared to the 2012 adopted Budget totalling €137.9 billion.³⁷

The House debated the 2013 draft Budget on [12 July 2012](#).³⁸ This followed a referral for debate from the European Scrutiny Committee.³⁹

On 24 July 2012, the Council, in its [adopted position](#), set CA at €149.8 billion and reduced PA to €132.7 billion, an increase of around 2.8% compared to the 2012 adopted Budget.⁴⁰ On 23 October 2012, the European Parliament took its position and called for a 6.8% (PA) increase compared to the 2012 adopted Budget. It proposed CA of €151.2 billion and the level of PA was set at €137.9 billion.⁴¹

The Council did not accept the European Parliament's amendments and a Conciliation Committee was set up between the Council and Parliament with 21 days to agree a joint text.⁴² The Conciliation Committee could not reach agreement on the 2013 draft budget by the end of the 21 day conciliation period (13 November 2012).

³² [SEC\(2011\) 498](#), COM(2011)0300

³³ Council of the European Union, [Explanatory Memorandum 13110/11](#), 25 July 2011

³⁴ [European Parliament resolution of 26 October 2011 on the draft general budget of the European Union for the financial year 2012 as modified by the Council](#)

³⁵ European Council, [Council approves 2012 EU budget](#), 30 November 2011

³⁶ [European Parliament legislative resolution of 1 December 2011 on the joint text approved by the Conciliation Committee in the framework of 2012 budgetary procedure](#)

³⁷ [SEC\(2012\) 270](#)

³⁸ [HC Deb 12 Jul 2012 c515](#)

³⁹ European Scrutiny Committee, [Fourth Report of session 2012-13](#), HC 86-iv, 27 June 2012

⁴⁰ Council of the European Union, [3184th Council meeting General Affairs Brussels](#), press release 12802/12, 24 July 2012

⁴¹ EP news release, [MEPs vote for moderate budget for 2011](#), Oct 2010

⁴² *ibid.*

8.1 Current situation

The Commission published a [new \(amended\) draft budget](#) on 23 November. The Commission proposed €150.9 billion in CA (as in its original proposal) but reduced its request for PA to €132.9 billion, a 2.9% increase compared to the 2012 adopted Budget.⁴³

Following trialogue on a package agreement, the Council officially approved the agreement at the [Justice and Home Affairs Council meeting](#) on 6 December.⁴⁴ The European Parliament approved the new draft budget, without amendment, as modified by Council on [12 December](#).⁴⁵

9 Future EU budgets

In July 2011, the EU institutions entered a new cycle of Multiannual Financial Framework (MFF) negotiations. This MFF will define the budgetary priorities of (and form the basis of the annual budget for) the EU for the seven years 2014-2020. The Commission proposed a draft [MFF Regulation and a draft IIA](#) on cooperation in budgetary matters and sound financial management for 2014-2020 in June 2011.⁴⁶

Discussions over the shape of the MFF for 2014-2020 onwards are currently underway and these, and the implications for the 2014 EU Budget, are the subject of a separate Library Standard Note: [EU Multiannual Financial Framework \(MFF\) 2014-2020](#).

⁴³ [COM\(2012\) 716 final](#)

⁴⁴ Council of the European Union press release [17397/12](#)

⁴⁵ [2012/2307\(BUD\)](#)

⁴⁶ [COM\(2011\) 398 final](#), 29 June 2011