

# EU Draft Budget 2014

The EU Draft Budget 2014 (the 2014 Budget) was presented by the European Commission on 26<sup>th</sup> June 2013. It is conditional on the European Parliament agreeing to the *Multiannual Financial Framework* 2014-2020 (MFF 2014-2020).

## Facts and Figures

- The EU Budget 2013 (the 2013 Budget) consisted of €151.6 billion in commitments (*commitment appropriations*) and €144.5 billion in actual payments (*payment appropriations*). However, the 2014 Budget is €142.01 billion in commitments and €135.9 billion in actual payments.
- The 2014 Budget is divided into six main headings and taken together there has been an overall reduction of 6% in commitments and 5.8% in actual payments.
- Under heading 1 (Smart and inclusive growth) there has been a reduction of 9.7% in commitments and 9.3% in actual payments.
- Under heading 2 (Sustainable growth: natural resources) there has been a reduction of 1.1% in commitments and 2.3% in actual payments.
- Under heading 3 (Security and citizenship) there has been a reduction of 9.4% in commitments and 11.9% in actual payments.
- Under heading 4 (Global Europe) there has been a reduction of 12.5% in commitments and 8.2% in actual payments.
- Under heading 5 (Administration) there has been an increase of 2.1% in commitments and 2.1% in actual payments.
- Under heading 6 (Compensation) there has been a reduction of 61.9% in commitments and 61.9% in actual payments.

## Positives

The ever increasing expenditure in the EU has been a source of contention amongst the member states. The 2014 Budget reflects the reduced expenditure ceiling of €960 billion negotiated for the MFF 2014-2020. Although the 2014 Budget marks a cut in overall EU spending for the first time in 56 years, the greater positive is that there have been cuts to the particularly divisive area of the Common Agricultural Policy (CAP) which received a 2.3% reduction. Other welcome cuts have been made to ‘communication action’ (20.8% reduction in commitments) and the reduction in staff numbers by 1%. The 2014 Budget includes frontloaded initiatives; the main example is the Youth Employment Initiative (YEI) which targets unemployment amongst young NEETs (Not in education, employment or training). A total of €3.4 billion is to be allocated to the YEI in 2014; the EU is proactively tackling one of the major issues it has experienced. Moreover, were it not for the frontloaded YEI the budget cut for the 2014 Budget (discussed above) would have been even greater when compared with the 2013 Budget. Priority has also been placed on pan-European infrastructure projects

(especially in transport, energy and ICT), research, technological development and organisation, and investment in education and human skills. This prioritised spending encourages growth, job creation and modernisation for the EU. To reinforce the desire to increase employment the 2014 Budget increases commitments under heading 1a (Competitiveness for growth and jobs) by 3.3%.

## Negatives

The overall spending cut associated with the 2014 Budget may be a misrepresentation. The 2013 Budget was increased to €144.5 billion from the original €132.8 billion as a result of subsequent ‘amending budgets’. Essentially the 2013 Budget was retrospectively increased from the agreed budget, and was it not for this increase the 2014 Budget would actually have resulted in a rise in EU spending. However, it should be noted that the amending budget is partly justified by Croatia’s accession to the EU in 2013, this created an unusual one-off demand not catered for in the original budget, but whether the full extent of the increase is justified by this sole factor is doubtful. Even further there has been dissatisfaction that spending under every heading has decreased except for ‘Administration’ which has seen an increase. The cost of associated with the bureaucracy of the EU is often a point of criticism, although staff numbers are to be reduced there is still discontent that the administrative spending is increasing. The External Action Service in particular has seen a 3.2% increase in its budget, despite the fact that there have been extensive cuts to spending on EU external policy. The European Economic and Social Committee as well as the Committee of the Regions, have still been allocated a portion of the budget despite them being considered defunct. Worryingly the Court of Auditors, which is responsible for investigating such wasteful spending, has had its funding cut by 4.2%. On the contrary the EU Parliament has seen a 1.7% budget increase although it has not committed to reducing its headcount.

## Quotations

*‘It is telling that the EU has reduced its payments to the Court of Auditors, which is supposed to investigate fraud and EU waste’.* Nigel Farage, UKIP Leader

*‘The aim...was to frontload, to deliver as soon as possible. That’s why we are not frontloading small amounts, but the €6 billion that were designed for combating youth unemployment, for 2014 and 2015. In addition, there will be a similar effort for research, Erasmus and SME’s.’* Janusz Lewandowski, EU Commissioner for Financial Programming and Budget

### Technical Terms

**Multiannual Financial Framework:** A seven-year framework for the EU’s annual budget which determines the maximum spending under each main heading and the overall limit (ceiling).

**Commitment appropriations:** legal pledges to provide finance, conditional on the fulfilment of certain conditions

**Payment appropriations:** actual cash or bank transfers to the beneficiaries as determined in the budget