CIVITAS

EU Budget

Introduction

The budget is central to EU decision-making and politics. The EU budget is the EU's principle source of funding and, although it is comparatively small, gives the organisation independent political power. Budget negotiations deal with sensitive topics such as the Common Agricultural Policy (CAP), structural funds and regional aid, over which members are often fiercely split, therefore it is often a focus for disagreement amongst member states. The budget raises questions about how the EU institutions themselves operate: it is at the centre of arguments about how far the EU should act as a ***supranational*** government and about how accountable its largely unelected bodies are with public money.

History

Under the Treaty of Rome (1957), the budget was to be made up only of contributions from member states. However, in the 1970s, reflecting the expansion of the organisation's supranational roles, a new budget model was created with the EU having its own resources, which are based on member states' sales, agricultural and customs taxes. This change increased the political scope of the European Community and made the budget much more important. During the 1970s and 1980s, the budget was a very controversial issue. In 1984 this came to a head when Britain, which was paying more into the EU budget than it got out, demanded some of its money back as a ***rebate***. Although this meant that Britain got a better deal, the EU budget continued to grow rapidly, with the CAP and payments to poorer member countries like Ireland, Spain, Portugal and Greece being particularly expensive.

In the late 1980s, a new budget model was developed to reduce conflict, with the budget being agreed for a seven-year period, rather than annually. Meanwhile, in the 1990s, increasing concern was expressed about how accountable the Commissioners who controlled the budget were. In 1999 this led to the forced resignation of the entire Commission. Although tension over the budget has reduced since then, negotiations over the 2007-13 budget saw old arguments, especially about the CAP, reappear.

Commission plans to change the way in which the UK receives its rebate – from a yearly amount to a lump sum of €22.8 billion for the period from 2014 to 2020 – were rejected by the UK Treasury in July 2011.

After talks in November 2012 collapsed, an agreement for the 2014-2020 budget was reached in February 2013. There will be a cut in EU spending for the first time ever, with a 3.3% reduction to the current budget.

How does the EU Budget work?

EU budgets are decided for periods of seven years. A budget plan is proposed by the Commission and then debated by the European Council and the European Parliament, both of whom have to vote to agree on the budget. Budget negotiations often last for several years, with most of the discussions taking place behind closed doors between heads of government. Budget negotiations always have to take political concerns into account: Britain and France are especially prone to major disagreements. The principle items of the budget are the CAP, regional policy, foreign policy, research and development, and administration.

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Facts and figures

- The EU budget for 2014-2020 is set at €960 billion in commitments (€908 billion in actual payments).
- The UK is one of 12 net contributors to the EU budget – meaning it gives more than it gets back in payments.
- In 2013, the UK contributed €14.51 billion to the 2013 budget (taking the rebate, which is paid by other European countries to the UK, of €3.8 billion, into account).The EU budget is small compared to other government budgets: the 2014 budget totalled €142.6 billion while the US budget for 2014 was $3,500 trillion (€3,106 trillion).
- The EU budget represents around 1% of the EU's gross national income.
- CAP remains the largest single budget item, amounting to around 40 per cent of the total budget.

Arguments

For

- The central budget allows the EU to pursue its own policy agenda without pressure from individual member states.
- The EU's ability to use the budget to move money from wealthy to developing member states is good for the integration of Europe.
- The budget's long-term planning encourages stability.

Against

- The EU can never have budgetary independence because it always has to bow to pressure from wealthy member states who contribute the most.
- Transferring money is unfair on taxpayers in wealthier nations.
- The budget takes up a lot of time for politicians to agree over relatively small sums of money.

"We cannot run an ambitious Europe of tomorrow on an empty fuel tank… This is not the time to do Europe on the cheap."

Pat Cox, European Parliament President, 2002-2004

"The UK Government recognises its responsibility… we are prepared to pay our fair share but no more than our fair share."

Jack Straw, British Foreign Secretary, 2005

Technical Terms

- ***Supranational:*** a form of organisation through which decisions are made by international institutions, not by individual states.
- ***Rebate:*** a refund of part of budget contributions.

Links

- http://ec.europa.eu/budget/budget_detail/current_year_en.htm
- http://www.bbc.co.uk/news/world-europe-20442880

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