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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

Long-term forecast of future inflows and outflows of the EU budget (2020-2024)

1. INTRODUCTION

This report provides a long-term forecast of future inflows and outflows covering the next five years (2020-2024) as required by Article 247(1)(c) of the Financial Regulation¹. The analysis takes into account the principles and terms set out in the draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community².

The scope of the forecast captures the elements of the current and the next financial frameworks. It is based on the level of appropriations for 2020 as included in the Draft Budget for that year. For the years 2021-2024, the commitments presented in the Commission's proposal for the next Multiannual Financial Framework³ are taken into account.

Compared to the forecast of last year⁴ which covered the period 2019-2023, this new forecast captures one additional year (2024). The estimates for the payments on the commitments of the current financial framework are updated to take account of the actual implementation results for 2018, the 2019 budget and its proposed amendments (the Draft Amending Budgets N°1⁵, N°2⁶ and N°3⁷), and the Draft Budget for 2020⁸.

As for the payments in relation to the post-2021 commitments, given that the negotiations for the next Multiannual Financial Framework are on-going those estimates remain consistent with the parameters of the Commission proposal for the future financial period, as reflected in last year's report.

2. RESULTS OF THE FORECAST

2.1. Payments

2.1.1. Payments until the end of the current financial framework (2020)

The report includes the estimates from the Draft Budget 2020, the last year of the current financial framework. The forecast for the 2020 payment levels is in total EUR 7 billion lower than in last year's long-term forecast report. This is mainly in relation to Headings 1b, 2 and 4. For the funds in shared management, the Draft Budget is built on the latest implementation projections provided by Member States in January 2019, which are slightly lower than their projections of July 2018 on which last year's forecast was based. In the external action field, the Draft Budget 2020 is actually below the level of the previous year, predominantly due to the lower payments for the Facility for Refugees in Turkey.

¹ Financial Regulation applicable to the general budget of the Union and its rules of application, Regulation (EU, Euratom) 2018/1046 of 30.7.2018.

² OJ C66 I, 19.2.2019, p.1.

³ COM(2018)321 to 328 of 2.5.2018

⁴ COM(2018)687 final of 10.10.2018

⁵ COM(2019)300 final of 15.4.2019

⁶ COM(2019)320 final of 15.5.2019

⁷ COM(2019)205 final of 22.5.2019

⁸ SEC(2019)250 of 5.6.2019

Almost all payments in 2020 relate to the commitments made under the 2014-2020 programmes. Less than 1% of the payments will cover commitments outstanding from the pre-2014 financial framework under Headings 1a and 4. The bulk of the 2007-2013 programmes under the cohesion policy is expected to be closed by the end of 2019 with no further payments anticipated in 2020.

2.1.2. Payments in the next financial framework (2021-2024)

Overall, for the first four years of the next financial framework payments are expected to total some EUR 687 billion. This amount is not evenly distributed across the years but follows the expected parallel evolution of: 1) the phasing-in of payments for the new spending programmes (around 62% of the 4-year payments' total) and 2) the payments for outstanding commitments from the 2014-2020 period (the remaining 38% of the payments).

Payments in relation to new commitments

There is no change in the forecast compared to last year's report in relation to new commitments. As in last year, these payments follow the Commission proposal for the 2021-2027 Multiannual Financial Framework of 2 May 2018 and its underlying assumptions (see details in Section 3. Forecast Assumptions). An update of those estimates would only be possible when the negotiations on the next financial framework and accompanying sector-specific legislation are concluded.

This is the case especially for the negotiations relevant to the Common Provisions Regulation, which determines the implementation speed for cohesion policy – the biggest spending area delivered through differentiated appropriations. Changes in the implementing modalities of the cohesion policy funds compared to the Commission's proposals would significantly influence the payments' estimates for the whole EU budget.

For example, any reduction of the annual retention rate compared to the Commission proposal or the clearance of pre-financing at the time of the programmes' closure rather than annually would lead to additional payment needs during the forecast period. The automatic de-commitment rules may also have a significant impact on the payment profiles. Any extension of the deadline for the submission of payment claims beyond the Commission proposal would delay the implementation of the cohesion policy and postpone payments to the following financial framework.

The pre-financing rates for the cohesion policy funds (both the 2014-2020 and the 2021-2027 funds) will particularly impact the first years of the next financial framework. The Commission proposals for the next Common Provisions Regulation and for amending the current Common Provisions Regulation take account of the funding requirements at the beginning of the new period as well as the constraints of an own resources ceiling corresponding to 1.20% of EU gross national income. While the Commission has proposed to increase the own resources ceiling to reflect the gross national income base for 27 Member States, the current level may still be applicable in the first years of the next financial framework due to the likely lengthy ratification process for the new Own Resources Decision.

Payments on pre-2021 commitments

The proposed level of payments in the Draft Budget 2020 also has an impact on the payment needs in the following years. The lower level of payments for 2020 compared to previous forecasts is

expected to lead to additional needs in the following years. As a consequence, the overall payment estimates for 2021 to 2024 are by around EUR 5 billion above the payment ceiling proposed by the Commission for the next period, of which EUR 4 billion would fall in 2024.

These additional needs will, in combination with the impact of the future implementing modalities for the cohesion policy funds, have to be taken into account in setting the payment ceilings for the next financial framework or would automatically lead to a need for mobilising special instruments, in particular the Contingency Margin, which – according to the Commission's proposal – would allow for mobilising payments of up to 0.03% of EU gross national income in a given year (to be offset against the ceilings in later years).

2.1.3. De-commitments

The overall amount of de-commitments forecast for 2020-2024 is EUR 8 billion. Around 77% of the de-commitments relate to the programmes of the 2014-2020 period (EUR 6 billion) while the de-commitments of the programmes originating before 2014 continue to phase out as is the case for the related payments. No de-commitments are anticipated for the commitments proposed for the 2021-2027 financial framework.

The de-commitment levels vary across Headings as the forecast takes into account de-commitments already made and de-commitments identified at the time of the Draft Budget 2020 preparation. In principle, de-commitments are forecast for the entire duration of the programming period. Since for most programmes and actions no automatic de-commitment rules exist, any annual breakdown of de-commitments would be highly imprecise. To estimate the size of the de-commitments until 2024 only, the forecast de-commitments are broken down proportionally to the related annual payments.

A specific forecast is made for the 2014-2020 European Structural and Investment (ESI) funds – it takes account of the experience with the 2007-2013 programmes' closure. As the actual year of de-commitment depends on the specific closure dates for each Member State and given the n+3 de-commitment rules in place, the de-commitments are likely to spread over 2024-2026. As only 2024 is within the scope of this report, the tentative assumption is that roughly one third of all de-commitments on the 2014-2020 ESI funds could fall in that year.

Compared to last year's report, the 5-year de-commitment estimate increases by around EUR 1.6 billion. This is the combined effect of the increased de-commitment forecast for Headings 1b and 2, and decreases across the other Headings. The increase for Headings 1b and 2 is the mechanical effect of including one extra year (2024) which was not covered by last year's report. The decreases in the other Headings are also mainly due to the shift by one year of the reporting period. For instance, in 2018 under Heading 1a EUR 0.7 billion was de-committed in relation to pre-2014 programmes and accordingly this amount is no longer included in future estimates. For Heading 3 there is a reduction of the anticipated de-commitments to reflect the amendments of the relevant

legislation⁹. For Heading 4, the decrease is a combined effect of the shift of one year and updating the assumptions for future years in line with the Draft Budget 2020.

2.1.4. Evolution of the level of outstanding commitments

The build-up of outstanding commitments (or RAL for *reste-a-liquidier*) is a natural consequence of the implementation of the EU budget with differentiated appropriations and the nominally increasing volume of the EU budget over the years. The RAL at the start of the reporting period is expected to stand at around EUR 291 billion and to reach EUR 303 billion at the end of the current financial framework. For comparison, the end-2020 RAL forecast with last year's report stood at EUR 295 billion. This increase in the RAL forecast is mostly the result of updating the year 2020 with the actual Draft Budget projections.

By the end of 2024, the RAL is projected at around EUR 313 billion, which results in a 8% increase in nominal value over the five analysed years. However, the annual evolution of the RAL volume is not even as the RAL develops in function of the ratio of annual payments to annual commitments. Payments come close to commitments in 2023-2024 mostly due to the combination of the first automatic de-commitment target for the new programmes under the Common Provision Regulation and the n+3 de-commitment target for the last tranche of the 2014-2020 ESI Funds and the closure of these programmes. As a result, payments in 2023 are expected to be almost at the level of commitments, and for 2024 to even exceed commitments. This would result in keeping the RAL stable at the end of 2023 and even slightly decreasing it in 2024.

2.2. Revenue

The EU budget is financed by own resources and other revenue. The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. Accordingly, the forecast of the EU budget revenue for 2020-2024 is based on the principle that expenditure must be matched by revenue; therefore total revenue must equal total expenditure.

3. FORECAST ASSUMPTIONS

3.1. Specific assumptions by main spending elements

3.1.1. 2014-2020 ESI funds and cohesion policy funds 2021-2027

The payments forecast for the 2014-2020 ESI funds is based on past experience of interim payment claims submitted as a percentage of the overall envelope. The performance review takes place in 2019 and the related commitments set aside since 2014 would lead to first payments in 2020. Specific payment profiles are used for each of the funds.

For the 2021-2027 cohesion policy funds, the relevant provisions included in the 2 May 2018 Commission proposal for the next financial framework are also used for this report (0.5% as annual pre-financing for each year from 2021 to 2026, 10% retention rate, no performance reserve). The

⁹ Regulation (EU) 2018/2000 of the European Parliament and of the Council of 12 December 2018 amending Regulation (EU) No 516/2014 of the European Parliament and of the Council, as regards the recommitment of the remaining amounts committed to support the implementation of Council Decisions (EU) 2015/1523 and (EU) 2015/1601 or the allocation of those amounts to other actions under the national programmes (OJ L 328, 21.12.2018)

interim payment claims' profiles were estimated on the basis of statistics on the amounts claimed per year in the 2007-2013 programmes with n+2 de-commitment rules, as amended to allow for certain derogations for the first commitment tranches. Any changes in those assumptions would impact payments in relation to the 2021-2027 cohesion policy funds.

3.1.2. Direct payments and market measures under the Common Agricultural Policy

As regards the appropriations for the European Agricultural Guarantee Fund, they are mostly non-differentiated and the bulk related to direct payments to farmers is usually reimbursed to Member States during the first months of the following budget year.

3.1.3. Other programmes and funds

For all other spending items (e.g. research and innovation, large scale infrastructure projects, internal and external policies) the forecasts for the payments on the commitments authorised in the current financial framework are based on the Draft Budget 2020 and the accompanying schedules of payments by individual budget lines.

For the new generation of spending programmes, the annual payment needs have been calculated using statistical data for the actual implementation over 10 years (2007-2017) of the corresponding current programmes and their related 2007-2013 legacy. For programmes with no legacy, the payment estimate is based on the implementation experience of similar type of activities adjusted for the specific elements of the new programmes.

3.1.4. Administration

Administrative expenditure (2014-2020 Heading 5, 2021-2027 Heading 7) is based on non-differentiated appropriations; the amounts for commitments as presented in the Draft Budget 2020, and the proposed expenditure ceilings for Heading 7 in 2021-2024 are fully transformed into payments.

The same applies also for subsidies to decentralised agencies, which are funded outside the administrative heading.

3.2. Assumptions for forecasting revenue

3.2.1. Traditional own resources and national contributions

From 2018, traditional own resources include only customs duties as the collection of the sugar production charge ended in 2017. Starting from the level included in the Draft Budget 2020, customs duties are projected to grow over the period 2021-2024 at the same rate as nominal gross national income of each Member State.

National contributions (in the form of the gross national income-based own resource, the VAT-based own resource and new own resources included in the Commission proposal for the Multiannual Financial Framework 2021-2027) fill the gap to balance revenue and forecasted expenditure.

3.2.2. Other revenue

Most of the components of 'other revenue' – including staff contributions, revenue accruing from the administrative operation of the institutions, contributions and refunds in connection with Union agreements and programmes, interest on late payments and fines, revenue from EU borrowing and

lending operations, and miscellaneous revenue – as well as surpluses from previous years are difficult to project, given their inherent volatility. Therefore, the amount considered in the Commission proposal on the financial framework 2021-2027 (i.e. EUR 1.9 billion in line with the Draft Budget 2019) is assumed to remain nominally constant over the period covered by the report (2020-2024).

4. CONCLUSIONS

This year's forecast report covers the first four years of the next Multiannual Financial Framework, for which negotiations are still on-going. The payment forecast is therefore based on the Commission's proposals of May 2018. Developments in two areas will be particularly important for payments in the next financial framework:

First, the ongoing negotiations on the proposals for the next financial framework show diverging views on key elements influencing future payment needs. These relate in particular to the cohesion policy funds – accounting for roughly one third of the budget – and to their implementation parameters, such as pre-financing rates and de-commitment rules. Given there is no consensus on those elements at this stage, the current forecast remains based on the Commission proposal of 2018.

Second, the payment forecast depends on the implementation of the current financial framework and the level of outstanding commitments at the start of 2021. For most of the expenditure headings the 2020 Draft Budget is below the level forecast last year. This automatically shifts payments to the post-2020 period, which come in addition to the payments assumed at the time of proposing the payment ceilings for the years 2021-2027.

These developments will have to be taken into account in the negotiations for the next Multiannual Financial Framework. The payment ceilings under negotiation may need to be adjusted to accommodate the additional needs resulting from the higher level of outstanding commitments at the end of 2020 and from amendments of the implementation modalities for future programmes.

Table 1 – Long-term forecast of future inflows and outflows of the EU budget over 2020-2024

In EUR billion, current prices	MF 2014-2020 (EU28)	COM proposal MF 2021-2027 (EU27)			
	2020	2021	2022	2023	2024
OUTFLOWS					
<i>Commitments ceiling</i>	168,8	166,7	173,7	179,4	182,9
<i>Payments ceiling</i>	172,4	159,4	164,0	177,3	180,9
Commitment appropriations	167,7	166,7	173,7	179,4	182,9
Payment appropriations	153,2	159,1	164,2	178,1	185,2
of which payments pre-2021 commitments	153,2	87,7	76,9	56,7	42,8
<i>1a. Competitiveness for growth and jobs</i>	22,1	14,3	9,5	6,0	4,3
<i>1b. Economic, social and territorial cohesion</i>	50,0	48,5	47,6	36,9	28,0
<i>2. Sustainable Growth: Natural Resources</i>	58,0	15,0	11,7	7,3	5,2
<i>3. Security and citizenship</i>	3,7	2,3	1,2	0,5	0,3
<i>4. Global Europe</i>	9,0	7,6	6,8	6,0	5,0
<i>5. Administration</i>	10,3	0,0	0,0	0,0	0,0
of which payments on 2021-2024 commitments*		71,3	87,3	121,4	142,4
<i>1. Single Market, Innovation and Digital</i>		7,9	14,3	17,2	21,7
<i>2. Cohesion and Values</i>		5,3	6,9	31,1	39,6
<i>3. Natural Resources and Environment</i>		41,3	44,8	47,7	49,9
<i>4. Migration and Border Management</i>		1,6	2,2	2,9	4,5
<i>5. Security and Defence</i>		0,8	1,6	2,0	2,9
<i>6. Neighbourhood and the World</i>		3,3	6,2	8,6	11,6
<i>7. European Public Administration</i>		11,0	11,4	11,8	12,2
Other special instruments**	0,4				
Total payment appropriations including special instruments	153,6	159,1	164,2	178,1	185,2
INFLOWS					
<i>Own Resources ceiling in percentage of the EU Gross National Income</i>	1,20%	1,29%	1,29%	1,29%	1,29%
<i>Own Resources ceiling expressed in EUR billion***</i>	203,9	191,4	197,1	202,9	209,2
Total own resources:	151,6	157,2	162,3	176,2	183,3
<i>of which net amount of traditional own resources</i>	22,2	21,8	22,4	23,2	23,9
<i>of which national contributions****</i>	129,5	135,4	139,8	153,1	159,3
Other revenue	2,0	1,9	1,9	1,9	1,9
Total revenue	153,6	159,1	164,2	178,1	185,2

* Payments for the potential use of margins (including also through the Global Margin for Commitments - Union Reserve) have been added in the total for each heading, tentatively distributed in proportion to the headings' margins.

** The following amounts correspond to the payments foreseen in the Draft Budget 2020 for the European Globalisation Adjustment Fund, the European Union Solidarity Fund and the Emergency Aid Reserve. Due to their specific nature, the use of those instruments beyond 2020 cannot be forecast. The appropriations for those instruments are considered outside the Multiannual Financial Framework ceilings for the purposes of the calculation of the corresponding margins. This is also the case for the appropriations related to the Flexibility Instrument.

*** Calculated on the basis of the latest economic forecast for the gross national income of the EU28 for 2020, and of the EU27 for 2021-2024

**** National contributions include the gross national income-based own resource, the Value Added Tax-based own resource and new own resources included in the Commission proposal for the MF 2021-2027. Any United Kingdom contribution for outstanding obligations at the end of 2020 would constitute other revenue and hence reduce national contributions.

Table 2 - De-commitments forecast over 2020-2024

in EUR billion, current prices

Decommitments*	On pre-2014 commitments	On 2014-2020 commitments	TOTAL 2020-2024
	(a)	(b)	(a+b)
1a. Competitiveness for growth and jobs	-0,3	-1,1	-1,5
1b. Economic, social and territorial cohesion	-0,8	-2,3	-3,1
2. Sustainable Growth: Natural Resources	-0,2	-1,3	-1,5
3. Security and citizenship	-0,1	-1,1	-1,2
4. Global Europe	-0,3	-0,3	-0,6
5. Administration	0,0	0,0	0,0
TOTAL	-1,8	-6,1	-8,0

* No de-commitments are anticipated in relation to the commitments proposed for the 2021-2027 financial framework

Table 3 – Change in the total outstanding commitments from 2020 to 2024

in EUR billion, current prices

RAL end-2019*	Commitments 2020-2024	Payments 2020-2024	De-commitments	RAL end-2024
(a)	(b)	(c)	(d)	(a+b-c+d)
290,6	870,4	839,8	-8,0	313,2

Of which on:

2014-2020 MFF				
290,6	167,7	417,3	-8,0	32,9
2021-2027 MFF				
n/a	702,7	422,5	-	280,2

* The performance reserve set aside during 2014-2019 is included in the RAL, but no payments are foreseen against those commitments before 2020. The RAL does not include outstanding commitments generated from revenues from third countries' contributions