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**COMMISSION STAFF WORKING DOCUMENT**

*Accompanying the document*

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

**Long-term forecast of future inflows and outflows of the EU budget (2023-2027)**

{COM(2022) 315 final}

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# 1. Introduction

This document accompanies the report from the Commission on the long-term forecast of future inflows and outflows of the EU budget over 2023-2027 and provides additional technical information on the assumptions used for establishing the forecast results.

## 2. Forecast assumptions by main spending elements

### 2.1. 2014-2020 European Structural and Investment (ESI) Funds and 2021-2027 cohesion policy funds

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The completion of the legislative process for the Common Provisions Regulation and all linked sectoral legal bases, and the priority given by Member States to the implementation of the Recovery and Resilience Facility (for which the timespan for commitments and payments is shorter than for cohesion policy) have delayed the adoption of 2021-2027 operational programmes. Unlike the 2014-2020 Multiannual Financial Framework (MFF), no new national programmes were adopted in the first year of the MFF and 100% of the commitment appropriations allocated for cohesion policy in the 2021 budget had to be reprogrammed under the provisions of Article 7 of the MFF Regulation<sup>i</sup> to the years 2022 to 2025 in equal proportions.

This forecast for the 2021-2027 cohesion policy funds mainly follows the 2014-2020 experience of interim payment claims (submitted as a percentage of the overall envelope), with certain adjustments. Based on the latest expectations, the re-programming under Article 7 of the MFF would lead to almost a full year delay compared to the previous period implementation pace. Under the assumption that Member States will recuperate around half of the delay already with the launch of the new programmes, partial catching up could be observed in 2024. Over 2025-2026, implementation is projected in line with 2018-2019, i.e. the fourth and fifth years of the programming cycle. This assumption may need to be revised when the implementation of the new period actually starts and the impact of the simplifications introduced in the new legislative framework can be fully factored in. An update in relation to the Commission proposal for REPowerEU<sup>ii</sup> may also be needed once it is adopted and depending on Member States' decisions to transfer funds from cohesion policy to the RRF.

Given the high level of uncertainty, two alternative scenarios for the implementation are considered. The positive scenario assumes that Member States are able to absorb fully the additional one year delay of 2023. In 2024, the payment claims should be submitted in line with what was observed in 2017, as well as the delayed claims from the second and third year of the MFF. As of 2025, implementation would follow the speed of the 2014-2020 programming period. A stylised negative scenario would consider that Member States do not catch up on the additional delay. In this case, the full implementation profile observed in 2014-2020 may be shifted by one year. The resulting de-commitments (due to the automatic de-commitment rules) would amount to close to 10%, starting already in 2026. As Member States are expected to take all possible measures to avoid such situation, this is not a likely scenario.

The forecast for payments in relation to the 2014-2020 programming period is largely based on past experience, information regarding the implementation on the ground and Member States' January 2022 forecasts. The payments in 2023 reflect the Draft Budget proposal. For the subsequent years, a key determining factor for implementation are the proposed measures accelerating implementation and

facilitating full absorption, under the CARE initiative as well as the earlier Coronavirus Response Investment Initiatives (CRII and CRII+). The end of the last accounting year is on 30 June 2024 and the last payment claims should be submitted by 31 July 2024. Closure payments are expected to be limited in 2024 and beyond.

## 2.2. Rural Development

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The latest information available suggests that the implementation of the new Common Agricultural Policy (CAP) Strategic Plans will start in 2023, one year ahead of the historical implementation profile observed for the 2014-2022 programmes. The acceleration by one year can be explained by the fact that there is no re-programming due for the first annual tranche of the new period, unlike in 2014-2020. Declarations of expenditure under the new European Agricultural Fund for Rural Development (EAFRD) period are expected already in 2023, with a payment pattern for the following years based on historical data and adapted to the N+2 automatic de-commitment rule. The pre-financing of the new programmes will also start in 2023, applying to the 2023-2027 envelopes. The forecast for the completion of the 2014-2022 programmes takes into account the impact of the exceptional temporary relief measure for farmers and SME's affected by the Russian invasion of Ukraine, which frontloads payments of EUR 450 million from 2024-2025 to 2023. The implementation after 2023 is extrapolated based on the pattern of implementation in the preceding years. Closure is expected in 2026, respecting the applicable N+3 de-commitment rule.

Even if all EAFRD commitments over 2014-2022 correspond to the previous programming period, in the current report the forecast is split between the payments related to commitments up to 2020 and commitments as of 2021 in order to separate payments according to the relevant MFF periods (as the commitments of 2021 and 2022 count against the new MFF ceilings). To that end, the payments across the two periods are split assuming that as of 2024, all payments would be counted against budgetary commitments made in 2021-2022.

## 2.3. Direct payments and market measures under the Common Agricultural Policy

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The appropriations for the European Agricultural Guarantee Fund (EAGF) are mostly non-differentiated, i.e. commitments made in a given year are fully matched by payments in the same year's budget. The bulk of the allocations is related to direct payments to farmers, which are usually reimbursed to Member States during the first months of the following budget year. The commitments (on the basis of which the payments are projected) are aligned to the financial programming accompanying the Draft Budget 2023. The transfers between pillars of the Common Agricultural policy resulted in a net transfer of EUR 825 million from pillar I (EAGF) to pillar II (EAFRD) in 2023, which has also been taken into account for the payment estimations.

## 2.4. Other programmes and funds

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For all other spending items (e.g. research and innovation, large scale infrastructure projects, internal and external policies), the forecasts for payments on the commitments authorised in the current financial framework are based on the Draft Budget 2023 and the accompanying schedules of payments by individual budget lines, as provided in Working Document XIII accompanying the Draft Budget. The expected average pattern of implementation for the next two commitment tranches (2022 and 2023) is extrapolated to the commitments for the years 2024 to 2027.

These commitments are expected to follow the financial programming accompanying the 2023 Draft Budget including, where relevant, the additional top-ups stemming from the programme specific adjustment

mechanism of Article 5 of the MFF Regulation. For Horizon Europe, the European Parliament and the Council agreed to make available again over the MFF period an amount of EUR 500 million in 2018 prices in appropriations resulting from total or partial non-implementation of research programmes, in accordance with Article 15(3) of the Financial Regulation. In addition, in the context of the European Chips Act, the Commission has proposed to increase by a further EUR 400 million the appropriations made available again as per Article 15(3) of the Financial Regulation, to compensate Cluster 4 'Digital, Industry and Space' of Horizon Europe for the amounts redeployed to the Digital Europe Programme. The forecast of outflows also takes into account those additional commitments.

As for Heading 6 - Neighbourhood and the World, the war in Ukraine is associated with a greater level of uncertainty, which will likely require EU budget support to respond to the increasing volatile circumstances. In 2021, there has been positive progress on the programming of the external action instruments and the kick-off of implementation. Yet, it is still premature to assess fully the long-term budgetary effects of the novel architecture of the instruments (mostly the Neighbourhood, Development and International Cooperation Instrument - Global Europe) in respect of the potential re-use of de-commitments, carry-over provisions and of the mobilisation of the emerging challenges and priorities cushion post-2023. At this stage, no de-commitments for the programmes having the possibility to re-sue them are forecast since the effect over time would be neutral.

The forecast of the payments for the completion of activities stemming to the period before 2021 is set based on the experience built over the past MFF periods and takes into account the latest project information.

## 2.5. Administration

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Administrative expenditure (Heading 7) is implemented as non-differentiated appropriations, i.e. commitments made in a given year are fully matched by payments in the same year's budget. The present forecast transforms fully the financial programming of commitment appropriations into payments.

The same approach is applied to the majority of the EU-funded decentralised agencies (all of which are outside Heading 7).

At the same time, despite very strict reprioritisation, all administrative expenditure, and in particular under Heading 7, is and will be under pressure in 2022-2023 and going forward due to the high levels of inflation and rising energy prices.

## 2.6. Special Instruments

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Special instruments fall under two categories:

- Thematic instruments – traditionally set up to provide support in specific unforeseen events such as natural disasters, mass redundancies, humanitarian and other crises. Due to their nature, forecasting over a longer time horizon is not possible, with the exception of the Brexit Adjustment Reserve for which expenditure is programmed over 2021-2023 and in 2025, in line with the relevant legal act<sup>iii</sup>. The present report thus includes the expenditure planned in the Draft Budget 2023.
- Non-thematic instruments – subject to specific conditions, they make it possible to allocate additional amounts for specific MFF programmes. Their mobilisation, and consequently the related payment needs, cannot be forecast. For the Flexibility Instrument, the payments stemming from past mobilisations are provided in the Communication on the technical adjustment of the MFF for 2023 and are included in the overall payment.

The expenditure covered by the mobilisation of special instruments is counted in addition to the MFF ceilings and is excluded for the purpose of the establishing the margins for commitments and payments.

## 3. Assumptions for forecasting revenue

### 3.1. Applicable legislation

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The revenue forecast presented in this report is based on the parameters of the Own Resources Decision 2020<sup>iv</sup>, effective since 1 January 2021, for all years of the reporting period (2023-2027).

### 3.2. Traditional own resources

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Customs duties are projected to grow over the period 2024-2027 at the same rate as nominal Gross National Income of each Member State starting from the level of gross customs duties projected for the Draft Budget 2023. 25% of the customs duties will be retained by Member States as collection costs.

### 3.3. National contributions

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National contributions fill the gap between traditional own resources and other revenue on the one hand and forecast expenditure on the other. They have for a long time included the Gross National Income-based own resource and the Value Added Tax-based own resource. The Own Resources Decision introduced a new own resource based on non-recycled plastic packaging waste. The parameters for the own resources in the Own Resources Decision determine the Member States' share in the total amount of national contributions that is needed to balance the EU budget.

### 3.4. Other revenue

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Other revenue of the EU budget traditionally includes 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 borrowing and lending operations, and miscellaneous revenue – as well as surpluses from previous years. Given their inherent volatility, most of those components are difficult to forecast. Therefore, the amount included in the Draft Budget 2023 (i.e. EUR 2 billion) is assumed to remain nominally constant over the period covered by the report.

Since 2021, in addition to the above-mentioned items, other revenue of the EU budget includes the United Kingdom's contribution related to outstanding commitments (RAL) for which the United Kingdom is liable, pension obligations and other components of the financial settlement, as laid down in the Withdrawal Agreement<sup>v</sup>. This is also reflected in the proposed financing of the Draft Budget 2023.

The contribution of the United Kingdom related to outstanding commitments on 31 December 2020 is determined by applying the United Kingdom's financing share to the forecast RAL payments for each year of the 2023-2027 period. The resulting annual contribution takes into account the payment modalities set out in Article 148 of the Withdrawal Agreement.

The forecast of other revenue includes the United Kingdom's contribution to pension liabilities for Members and EU high-level public office holders as specified in Article 142(5) of the Withdrawal Agreement. The United Kingdom contribution to staff pensions (an estimated EUR 261 million in the Draft Budget 2023) enters the EU budget as external assigned revenue and is therefore not part of the long-term forecast of other revenue.



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<sup>i</sup> Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I, 22.12.2020, p. 11.

<sup>ii</sup> COM(2022) 231 final, 18.5.2022

<sup>iii</sup> Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve, OJ L 357, 8.10.2021, p. 1–26.

<sup>iv</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union, OJ L 424/1, 15.12.2020.

<sup>v</sup> All components of the United Kingdom contribution are laid down in Article 148 of the Withdrawal Agreement. The forecast only includes components which are quantifiable at this stage, namely the provisional United Kingdom contribution to the financing of payments resulting from outstanding commitments prior to 2021 for which the United Kingdom is liable under Article 140 and pension liabilities specified under Article 142.5 of the Withdrawal Agreement as well as the amounts the Union owes to the United Kingdom under Article 145 (European Coal and Steel Community) and Article 146 (Union investment in the EIF).