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BUDGET 52

EXPLANATORY MEMORANDUM

Subject: Draft general budget of the European Union for the financial year 2025:
Council position of 13 September 2024

I. INTRODUCTION

The draft general budget of the European Union for 2025 (**DB 2025**) as proposed by the European Commission amounts¹ to:

- EUR 199 716.8 million in **commitment** appropriations²;
- EUR 152 684.1 million in **payment** appropriations².

Compared to the budget 2024³, these amounts represent a +2.3 % increase in commitment appropriations and a +4 % increase in payment appropriations.

II. APPROACH TAKEN

The DB 2025 has been examined during the months of June and July 2024 on the basis of the principles established in the Council conclusions on the budget guidelines for 2025⁴. In particular, the aim to ensure prudent and realistic budgeting, and to provide adequate resources to support clearly set priorities, constituted the guiding principles in establishing the present Council position on the DB 2025.

This led the Council to undertake a detailed analysis of the commitment appropriations for each programme and action by budget line, in order to ensure:

- a realistic absorption capacity;
- an appropriate acceleration of the implementation of programmes by avoiding excessive increases compared to 2024;
- sufficient margins under the ceilings to deal with unforeseen circumstances.

¹ These amounts include appropriations foreseen for special instruments outside the multiannual financial framework (MFF).

² Of which EUR 1 724 million programme-specific adjustments stemming from Article 5 MFF Regulation.

³ Amending budgets Nos 1/2024 and 2/2024 included.

⁴ Doc. 6195/24.

The result of the Council's assessment is reflected in the proposal to adjust downwards the commitment appropriations by EUR 1 519.95 million.

The proposed adjustments in headings 1 (*Single Market, Innovation and Digital*), 2 (*Cohesion, Resilience and Values*), 3 (*Natural Resources and Environment*), 4 (*Migration and Border Management*), 5 (*Security and Defence*) and 6 (*Neighbourhood and the World*) aim at reducing lines that were increased compared to the voted budget 2024, mainly in order to prevent risks in terms of absorption capacity, and to limit the increase of support expenditure to 2 % compared to the voted budget 2024.

A targeted adjustment is proposed for sub-heading 2b (*Resilience and Values*) for the European Union Recovery Instrument (EURI) line. The proposal is based on a more conservative approach, in line with prudent budgeting and sound financial management, with respect to the financing costs of NextGenerationEU (NGEU). Consequently, in line with the revised multiannual financial framework (MFF) Regulation¹, the Council has sought other financing possibilities, by reducing the appropriations of a few programmes in order to create more margins. The suggested adjustment for the EURI line will limit the use of both the Flexibility Instrument and the newly created EURI Instrument to cover the overrun costs.

An upward adjustment under headings 4 (*Migration and Border Management*), 5 (*Security and Defence*) and 6 (*Neighbourhood and the World*) is also suggested to reinforce the Union's priorities and support front-line Member States in the current geopolitical context (headings 4 and 5) and to ensure a sufficient level of humanitarian aid available in 2025, including for Ukraine, Georgia and Moldova (heading 6).

A Council statement on heading 6, as well as on the budgetary nomenclature for the Western Balkans Facility are recorded in Addendum 1 to this note.

¹ Council regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 2024/765, 29.2.2024).

As regards payment appropriations, the result of the Council's assessment is reflected in the proposal to adjust the level downwards by EUR 875.85 million. The reduction on headings 1, 2, 3, 4, 5 and 6 results from a proportionate amount corresponding to the adjustments in commitment appropriations, as well as from adjustments in non-differentiated appropriations (NDA).

A Council statement on payments is recorded in Addendum 1 to this note.

As regards administrative expenditure, the result of the Council's assessment is reflected in the proposal to adjust the level downwards by EUR 14.98 million. This reduction results from savings from expenditure related to buildings, and mainly from cutting the entire amount for housing allowances requested by institutions based in Luxembourg.

With regard to the latter, while respecting the 1970 Gentlemen's Agreement between the European Parliament and the Council, the Council's proposal does not include any specific reductions to Section I of the EU budget (European Parliament). Instead, it has distributed the equivalent amount, as additional reduction, among three other impacted institutions: the Commission, the European Court of Justice and the European Court of Auditors. In this regard, the Council invites the European Parliament to reconsider its position on the allowance and confirms that, if that is the case, the Council will agree to withdraw the additionally distributed amounts affecting the aforementioned three institutions.

At the same time, the Council has addressed the cyber-security needs of its own section of the budget with a contained upward adjustment.

A Council statement on heading 7 (*European Public Administration*) is recorded in Addendum 1 to this note.

Moreover, a Council statement on the progress of work on the implementation of the MFF mid-term revision is also recorded in Addendum 1 to this note.

III. **OUTCOME OF PROCEEDINGS**^{1,2}

On the basis of the above approach, an agreement **was reached** on the **Council's position on the DB 2025** that would amount³ to:

- EUR 191 526.99 million in **commitment** appropriations;
- EUR 146 214.61 million in **payment** appropriations.

The total amount of payment appropriations provided for in the Council's position on the DB 2025 corresponds to 0.79 % of the EU gross national income (GNI).⁴

In this respect, the following adjustments to the DB 2025 are suggested:

A. **EXPENDITURE BY HEADING OF THE MFF 2021-2027**

1. **Single Market, Innovation and Digital (heading 1 of the MFF)**⁵

- establish the level of **commitment appropriations**, targeting a total reduction of -EUR 643.24 million in the appropriations requested in the DB 2025 distributed on a number of specific budget lines, including operational and support expenditure, related to:
 - **01 – Research and Innovation** (-EUR 450.49 million, of which -EUR 400.00 million on *Horizon Europe* and -EUR 50.48 million on the *International Thermonuclear Experimental Reactor (ITER)*),

¹ A summary table of the outcome of proceedings is set out in Annex 1 of Addendum 2 to this document.

² The detailed results relating to the various policy areas are provided in Annexes 2 to 6 of Addendum 2 to this document.

³ These amounts do not include appropriations foreseen for special instruments outside the MFF.

⁴ Based on the May 2024 forecast of GNI.

⁵ The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- **02 – European Strategic Investments** (-EUR 147.66 million, of which -EUR 30.67 million on the *InvestEU Fund*, -EUR 110 million on the *Connecting Europe Facility (CEF)–Digital* and -EUR 6.99 million on the *Digital Europe Programme*),
- **03 – Single Market** (-EUR 10.29 million, of which -EUR 5.5 million on the *Single Market Programme (incl. SMEs)* and -EUR 4.79 million on *decentralised agencies*, namely on the *European Chemicals Agency (03 10 01)* and the *European Securities and Markets Authority (03 10 04)*),
- **04 - Space** (-EUR 34.80 million, of which -EUR 0.30 million on the *European Space Programme* and -EUR 34.50 million on *Union Secure Connectivity*) and
 - for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;
 - set the level of payment appropriations, reducing the appropriations requested in the DB 2025 by a total amount of -EUR 222.43 million, as a consequence of the adjustments in commitment appropriations on a number of specific budget lines, related to:
 - **01 – Research and Innovation** (-EUR 150.16 million, of which -EUR 133.33 million on *Horizon Europe* and -EUR 16.82 million on the *International Thermonuclear Experimental Reactor (ITER)*),
 - **02 – European Strategic Investments** (-EUR 53.88 million, of which -EUR 10.22 million on the *InvestEU Fund*, -EUR 36.67 million on the *Connecting Europe Facility (CEF) –Digital* and -EUR 6.99 million on the *Digital Europe Programme*),

- **03 – Single Market** (-EUR 6.62 million, of which -EUR 1.83 million on the *Single Market Programme (incl. SMEs)* and -EUR 4.79 million on *decentralised agencies*, namely on the *European Chemicals Agency (03 10 01)* and the *European Securities and Markets Authority (03 10 04)*),
- **04 – Space** (-EUR 11.77 million, of which -EUR 0.30 million on the *European Space Programme* and -EUR 11.47 million on *Union Secure Connectivity*);
- for the other budget lines in this policy area, accept the level of payment appropriations as proposed by the Commission;
- the **margin available** under heading 1 would be **EUR 861.55 million**.

2. **Cohesion, Resilience and Values (heading 2 of the MFF)**¹

(a) Economic, Social and Territorial Cohesion (sub-heading 2a of the MFF)

- establish the level of commitment appropriations, targeting a total reduction of -EUR 0.13 million in the appropriations requested in the DB 2025 limited to a specific budget line, related to support expenditure for:
 - **07 – Investing in People, Social Cohesion and Values** (-EUR 0.13 million on the *European Social Fund+ (ESF+)*);
- for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;

¹ The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- establish the level of payment appropriations targeting a total reduction of -EUR 0.13 million in the appropriations requested in the DB 2025 limited to a specific budget line, related to support expenditure for:
 - **07 – Investing in People, Social Cohesion and Values** (-EUR 0.13 million on the *European Social Fund+ (ESF+)*);
- for the other budget lines in this policy area, accept the level of payment appropriations as proposed by the Commission;
- the margin available under sub-heading 2a would be EUR 0.89 million.

(b) Resilience and Values (sub-heading 2b of the MFF)

- establish the level of commitment appropriations, targeting a total reduction of -EUR 808.58 million in the appropriations requested in the DB 2025 on a number of specific budget lines, including operational and support expenditure, related to:
 - **06 – Recovery and Resilience** (-EUR 462.82 million, of which -EUR 6.57 million on the *European Recovery and Resilience Facility and Technical Support Instrument*, -EUR 456.12 million on the *Financing cost of the European Union Recovery Instrument (EURI)* and -EUR 0.14 million on the *EU4Health Programme*),

- **07 – Investing in People, Social Cohesion and Values**
(-EUR 345.75 million, of which -EUR 15.63 million on *Employment and Social Innovation*, -EUR 294.83 million on *Erasmus+*, -EUR 1.48 million on the *European Solidarity Corps (ESC)*, -EUR 0.12 million on *Creative Europe* and -EUR 33.69 million on *Citizens, Equality, Rights and Values*);
- for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;
- set the level of payment appropriations, reducing the appropriations requested in the DB 2025 by a total amount of -EUR 574.21 million as a consequence of the reductions in commitment appropriations, related to:
 - **06 - Recovery and Resilience** (-EUR 458.45 million, of which -EUR -2.19 million on the *European Recovery and Resilience Facility and Technical Support Instrument*, -EUR 456.12 million on the *Financing cost of the European Union Recovery Instrument (EURI)* and -EUR 0.14 million on the *EU4Health Programme*),
 - **07 - Investing in People, Social Cohesion and Values**
(-EUR 115.76 million, of which -EUR 5.21 million on *Employment and Social Innovation*, -EUR 98.63 million on *Erasmus+*, -EUR 0.57 million on the *European Solidarity Corps (ESC)*, -EUR 0.12 million on *Creative Europe* and -EUR 11.23 million on *Citizens, Equality, Rights and Values*);
- for the other budget lines in this policy area, accept the level of payment appropriations as proposed by the Commission;

- as there would be **no margin** available under sub-heading 2b, it is suggested to mobilise the Flexibility Instrument for an amount of EUR 915.85 million (-EUR 276.98 million) and the EURI Instrument for an amount of EUR 707.48 million (-EUR 531.60 million).

3. **Natural Resources and Environment (heading 3 of the MFF)**^{1,2}

- establish the level of **commitment appropriations**, targeting a total reduction of -EUR 3.88 million in the appropriations requested in the DB 2025, related to:
 - **09 - Environment and Climate Action** (-EUR 3.88 million on the *Programme for Environment and Climate Action (LIFE)*);
- for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;
- set the level of **payment appropriations**, reducing the appropriations requested in the DB 2025 by a total amount of -EUR 2.08 million, related to:
 - **09 - Environment and Climate Action** (-EUR 2.08 million on the *Programme for Environment and Climate Action (LIFE)*);

¹ A further examination of the proposal will take place in the context of the annual letter of amendment updating the estimated needs and appropriations for agricultural expenditure, as set out in the Council statement on payment appropriations recorded in Addendum 1 to this document.

² The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- for the other budget lines in this policy area, accept the level of payment appropriations as proposed by the Commission;
- the **margin available** under heading 3 would be **EUR 64.92 million**.

4. **Migration and Border Management (heading 4 of the MFF)**¹

- establish the level of **commitment appropriations**, targeting a total reduction of -EUR 65.87 million in the appropriations requested in the DB 2025, related to:
 - **11 - Border Management** (-EUR 65.87 million, of which +EUR 23 million on the *Integrated Border Management Fund (IBMF) - Instrument for border management and visa (BMVI)* and -EUR 88.87 million on *decentralised agencies*, namely on the *European Border and Coast Guard Agency (11 10 01)*);
- for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;
- set the level of **payment appropriations**, reducing the appropriations requested in the DB 2025 by a total amount of -EUR 81.20 million, related to:
 - **11 - Border Management** (-EUR 81.20 million, of which +EUR 7.67 million on the *Integrated Border Management Fund (IBMF) - Instrument for border management and visa (BMVI)* and -EUR 88.87 million on *decentralised agencies*, namely on the *European Border and Coast Guard Agency (11 10 01)*).

¹ The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

- for the other budget lines in this policy area, accept the level of both commitment and payment appropriations as proposed by the Commission;
- the **margin available** under heading 4 would be **EUR 160.34 million**.

5. **Security and Defence (heading 5 of the MFF)**¹

- establish the level of **commitment appropriations**, targeting a total reduction of -EUR 5 million in the appropriations requested in the DB 2025, related to:
 - **12 - Security** (-EUR 10 million on the *Internal Security Fund (ISF)*);
 - **13 - Defence** (+EUR 5 million, of which +EUR 10 million on *Military Mobility* and -EUR 5 million on *Union Secure Connectivity*);
- for the other budget lines in this policy area, accept the level of commitment appropriations as proposed by the Commission;
- set the level of **payment appropriations**, reducing the appropriations requested in the DB 2025 by a total amount of -EUR 1.70 million as a consequence of the modifications on:
 - **12 - Security** (-EUR 3.40 million on the *Internal Security Fund (ISF)*);
 - **13 - Defence** (+EUR 1.70 million, of which +EUR 3.40 million on *Military Mobility* and -EUR 1.70 million on *Union Secure Connectivity*);
- the **margin available** under heading 5 would be **EUR 5.00 million**.

¹ The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

6. **Neighbourhood and the World** (heading 6 of the MFF)¹

- establish the level of commitment appropriations, targeting a total increase of +EUR 21.74 million in the appropriations requested in the DB 2025 related to:
 - **14 - External Action** (+EUR 21.74 million, of which +EUR 30 million on *Humanitarian aid (HUMA)*, partly offset by a decrease of -EUR 8.26 million on *Support expenditure for the Neighbourhood, Development and International Cooperation Instrument — Global Europe*);
- set the level of payment appropriations, increasing the appropriations requested in the DB 2025 by a total amount of +EUR 20.89 million, distributed on specific budget lines, related to:
 - **14 - External Action** (+EUR 20.89 million, of which +EUR 29.15 million on *Humanitarian aid (HUMA)*, partly offset by a decrease of -EUR 8.26 million on *Support expenditure for the Neighbourhood, Development and International Cooperation Instrument — Global Europe*);
- for the other budget lines in this policy area, accept the level of both commitment and payment appropriations as proposed by the Commission;
- the margin available under heading 6 therefore stands at EUR 23.02 million.

¹ The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2 to this document.

7. **European Public Administration** (heading 7 of the MFF)¹

(a) **Section I - European Parliament**

For the **European Parliament**, it is suggested that the DB 2025 (Section I) be approved as it stands (EUR 2 498.1 million).

(b) **Section II - European Council and Council**

For the **European Council and Council**, it is suggested to increase the appropriations by an amount of +EUR 195 000. Therefore, an overall amount of EUR 706.02 million is suggested for the **European Council and Council**.

(c) **Section III - European Commission**

For the **administrative expenditure of the European Commission** (including OP, OLAF, EPSO, PMO, OIB and OIL) it is suggested to decrease the appropriations by an amount of -EUR 10.42 million. The reduction includes the removal of the *Housing allowance in Luxembourg* from the Commission and impacted Offices (-EUR 5.42 million) and a reduction in the Commission's *Buildings* related expenditure (-EUR 5 million).

An overall amount of EUR 4 368.3 million is suggested for the **administrative expenditure of the European Commission** (including OP, OLAF, EPSO, PMO, OIB and OIL).

The overall amount of EUR 3 052.4 million for **European Schools and Pensions** is accepted as it stands in the DB 2025.

¹ The amounts exclude the institutions' contributions to the European Schools (Type 2). The detailed changes in comparison with the DB 2025 as regards figures by MFF heading are recorded in Annex 3 of Addendum 2.

Publications Office (OP)

For the **Publications Office** it is suggested that the DB 2025 is reduced by -EUR 478 776.

An overall amount of EUR 120.26 million is suggested for the **Publications Office**'s budget.

European Personnel Selection Office (EPSO)

For the **European Personnel Selection Office** it is suggested that the DB 2025 is reduced by -EUR 10 224.

An overall amount of EUR 28.72 million is suggested for the **European Personnel Selection Office**'s budget.

Office for Administration and Payment of Individual Entitlements (PMO)

For the **Office for Administration and Payment of Individual Entitlements** it is suggested that the DB 2025 is reduced by -EUR 110 112.

An overall amount of EUR 56.37 million is suggested for the **Office for Administration and Payment of Individual Entitlements**' budget.

Office for Infrastructure and Logistics in Brussels (OIB)

For the **Office for Infrastructure and Logistics in Brussels** it is suggested that the DB 2025 be approved as it stands (EUR 99.1 million).

Office for Infrastructure and Logistics in Luxembourg (OIL)

For the **Office for Infrastructure and Logistics in Luxembourg** it is suggested that the DB 2025 is reduced by -EUR 684 792.

An overall amount of EUR 32.55 million is suggested for the **Office for Infrastructure and Logistics in Luxembourg**'s budget.

European Anti-Fraud Office (OLAF)

For the **European Anti-Fraud Office** it is suggested that the DB 2025 is reduced by -EUR 4 224.

An overall amount of EUR 70.52 million is suggested for the **European Anti-Fraud Office**'s budget.

(d) Section IV - Court of Justice of the European Union

For the **Court of Justice of the European Union** it is suggested that the DB 2025 (Section IV) is reduced by -EUR 3.6 million (*Housing allowance in Luxembourg*).

An overall amount of EUR 529.12 million is suggested for the **Court of Justice of the European Union**.

(e) Section V - European Court of Auditors

For the **European Court of Auditors** it is suggested that the DB 2025 (Section V) is reduced by -EUR 1.15 million (*Housing allowance in Luxembourg*).

An overall amount of EUR 189.77 million is suggested for the **European Court of Auditors**.

(f) Section VI - European Economic and Social Committee

For the **European Economic and Social Committee** it is suggested that the DB 2025 (Section VI) be approved as it stands (EUR 171.7 million).

(g) Section VII - European Committee of the Regions

For the **European Committee of the Regions** it is suggested that the DB 2025 (Section VII) be approved as it stands (EUR 128.6 million).

(h) Section VIII - European Ombudsman

For the **European Ombudsman** it is suggested that the DB 2025 (Section VIII) be approved as it stands (EUR 15.2 million).

(i) Section IX - European Data Protection Supervisor

For the **European Data Protection Supervisor** it is suggested that the DB 2025 (Section IX) be approved as it stands (EUR 26.5 million).

(j) Section X - European External Action Service

For the **European External Action Service** it is suggested that the DB 2025 (Section X) be approved as it stands (EUR 913.8 million).

With regard to **staffing levels**, it is suggested to accept the establishment plans in the DB 2025 as proposed by the Commission, except for the **European Council and Council**, for which +3 additional posts for cyber-security are added.

As there would be **no margin** available under heading 7, it is suggested to accept the mobilisation of the Single Margin Instrument for a total amount of EUR 475.38 million, of which EUR 328 million for administrative expenditure of the institutions and EUR 147.38 million for pensions of all institutions and bodies, to allow the institutions to meet their legal obligations.

B. SPECIAL INSTRUMENTS

It is suggested to maintain the appropriations entered in the DB 2025 for the Solidarity and Emergency Aid Reserve, the European Globalisation Adjustment Fund, the Brexit Adjustment Reserve and the Ukraine reserve.

The commitment appropriations entered in the DB 2025 for the Flexibility Instrument are established at EUR 915.85 million (-EUR 276.98 million). The payment appropriations are maintained as they stand in the DB 2025.

The commitment appropriations entered in the DB 2025 for the Single Margin Instrument are established at EUR 475.38 million (-EUR 14.98 million).

The commitment appropriations entered in the DB 2025 for the EURI Instrument are established at EUR 707.48 million (-EUR 531.60 million).

C. REVENUE

As regards revenue, it is suggested to accept the DB 2025 after the technical adjustments arising from the changes made to expenditure in the Council's position.

D. OTHER GENERAL ASPECTS

1. Budget remarks

It is suggested to align the budget remarks contained in the DB 2025 with the changes made to expenditure in the Council's position and in particular the Union contributions to the financing of the different EU bodies.

2. Nomenclature

As regards nomenclature, it is suggested to accept the DB 2025, while acknowledging the statement by the Council on nomenclature for the Western Balkans Facility as recorded in Addendum 1 to this note.

3. Legal bases

Special care is taken to comply with the provisions of the Interinstitutional Agreement as regards legal bases.

IV. CONCLUSION

On 13 September 2024, the Council adopted its position on the draft general budget of the European Union for the financial year 2025.

The technical annexes, set out in Addendum 2 to this explanatory memorandum, contain a breakdown by heading of the MFF 2021-2027, as well as corresponding detailed figures for each institution and by title.

The statements that were agreed upon are recorded in Addendum 1 to this explanatory memorandum.
