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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 (2021-2027)**

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## 1. INTRODUCTION

This report provides projections for the inflows and outflows of the EU budget over the period 2021-2027<sup>1</sup>. It is the first report on the long-term forecast issued after the adoption of the Multiannual Financial Framework (MFF) 2021-2027<sup>2</sup> and NextGenerationEU<sup>3</sup>. The EU's long-term budget (the MFF), coupled with NextGenerationEU, will be the largest stimulus package ever financed in Europe amounting to a total of EUR 1.8 trillion (in 2018 prices). NextGenerationEU, an exceptional and temporary instrument, is designed to boost the recovery from the economic, social and health crisis caused by the COVID-19 pandemic. The MFF reflects the priorities of the Union for 2021-2027, underpinning the green and digital transitions to make the European economy fairer, more resilient and more sustainable for future generations.

The report is issued in accordance with the requirements of Article 247(1)(c) of the Financial Regulation<sup>4</sup>. In line with point 8 of the Interinstitutional Agreement<sup>5</sup> and to allow for a comprehensive view of the revenue inflows and the expenditure outflows under the ceilings of the new MFF for its entire duration, the forecast exceptionally spans over seven years - from 2021 to 2027.

Moreover, the report includes as a novel element the projected payments on all programmes benefitting from NextGenerationEU. This expenditure is additional to the spending under the MFF, and will be financed exclusively by revenue proceeds from borrowing operations on the capital markets (constituting external assigned revenue).

Payments from the EU budget follow commitments. The projections in this report are based on the commitments of the financial programming accompanying the Draft Budget 2022, including the programme-specific adjustments stemming from Article 5 of the MFF Regulation<sup>6</sup> as well as re-use of de-commitments under Article 15(3)<sup>7</sup> of the Financial Regulation. For 2021, the report reflects the adopted EU budget, including amending budget 1/2021 and draft amending budgets 1 and 3/2021; for 2022, it reflects the Commission's proposal for the Draft Budget.<sup>8</sup>

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<sup>1</sup> Unless otherwise specified, all amounts in the report are expressed in current prices.

<sup>2</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>3</sup> Council Regulation (EU) 2020/2094 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis, OJ L 433I, 22.12.2020, p. 23 ('NextGenerationEU').

<sup>4</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p. 1.

<sup>5</sup> Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources, OJ L 433I, 22.12.2020, p. 28.

<sup>6</sup> Article 5 of the MFF Regulation provides for the additional allocation in commitment and payment appropriations for a pre-defined list of programmes, for an amount equivalent to certain types of fines.

<sup>7</sup> Article 15(3) of the Financial Regulation provides that commitment appropriations corresponding to the amount of de-commitments made in relation to research projects may be made available again.

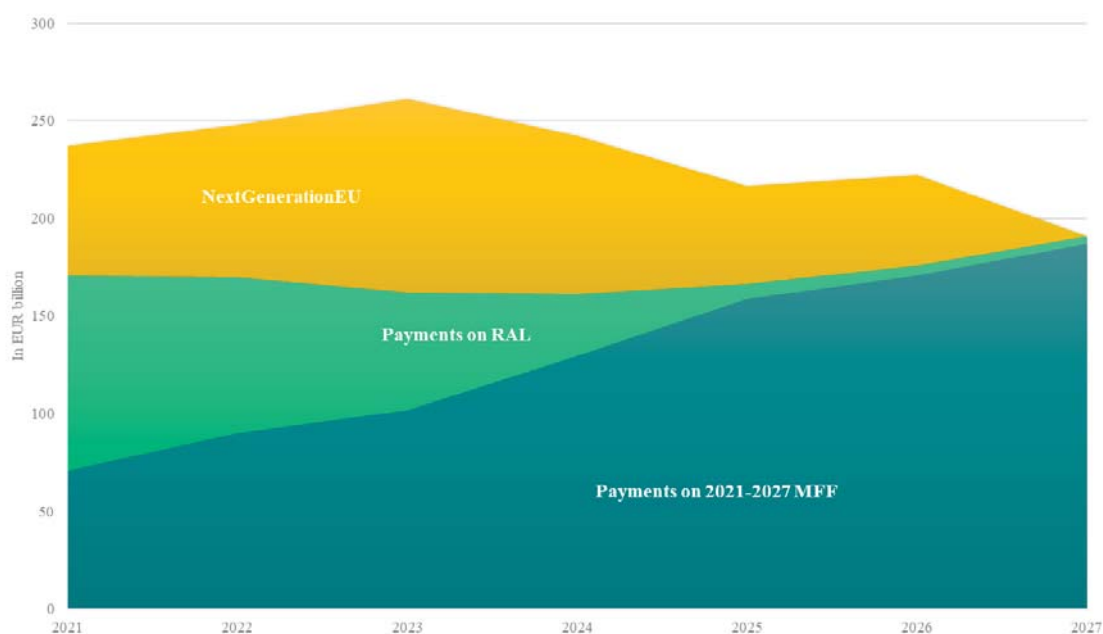
<sup>8</sup> Statement of estimates of the Commission SEC(2021)250, June 2021.

As regards revenue, the forecast is based on the new revenue system of the Own Resources Decision adopted in December 2020<sup>9</sup>, which entered into force on 1 June 2021 with retroactive application as of 1 January 2021. The revenue projections also take into account the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community<sup>10</sup> ('Withdrawal Agreement').

## 2. FORECAST OF OUTFLOWS OF THE EU BUDGET 2021-2027

The payments for the duration of the MFF are expected to reach EUR 1 199.7 billion, of which EUR 1 190.6 billion under the MFF payment ceiling. The forecast includes estimates for the future programme-specific adjustments stemming from Article 5 of the MFF Regulation and for re-use of de-commitments under Article 15(3) of the Financial Regulation, which will be allocated in the years 2023-2027. The programme-specific adjustments will also result in an automatic upward adjustment of the MFF ceilings for commitments and payments in 2023-2027 (in addition to the adjustment already implemented for 2022)<sup>11</sup> for an estimated amount of EUR 11 billion. The exact level would be determined annually, depending on the revenue from competition fines in the previous year.

Chart 1 - Payments forecast by category



The forecast **payments under the MFF are not evenly distributed across the years**. They depend on the expected evolution of: 1) the phasing-in of payments for the new spending programmes (76% of the total payments) and 2) the payments for outstanding commitments from the 2014-2020 period and earlier (24% of the payments). The estimated annual average of the

<sup>9</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, p. 1.

<sup>10</sup> OJ C66 I, 19.2.2019, p.1.

outflows is EUR 171 billion. For the first five years, forecast levels are below the average and for the last two years above the average. The difference between the peak year for payments (2027) and the expected lowest years (2023-2024) is around EUR 29 billion. Replicating the pattern observed in prior MFFs, the lower level of payments estimated for the mid-years of the MFF is due to the disbursement of most of the closure payments of the previous financial framework and the new spending programmes effectively reaching cruising speed in the second half of the MFF.

However, seen in conjunction **with NextGenerationEU** (outside MFF ceilings), **payments are expected to be heavily frontloaded to 2021-2024** (annual average of EUR 247 billion) thanks to the additional spending to support Europe's economic recovery and Member States' resilience capacity. From this perspective, 2027 would in fact be the year with the lowest outflows over the period, as NextGenerationEU payments will have to be completed by the end of 2026.

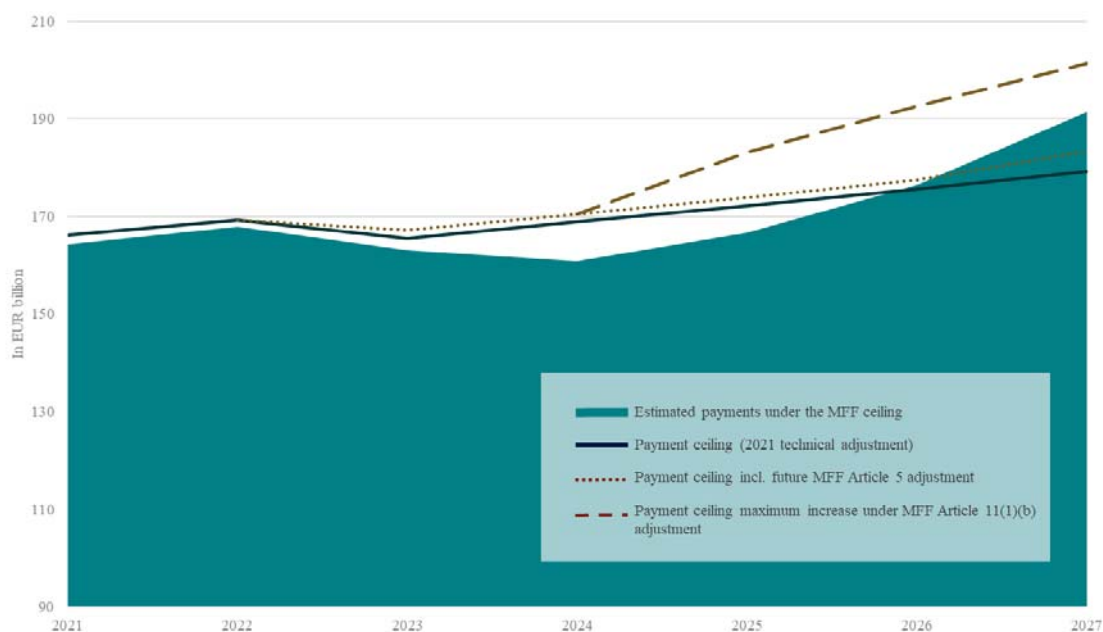
The forecast payments for the MFF spending leave a **margin under the payment ceiling of the MFF of EUR 6.2 billion over the period**. Considering the effect on the ceilings of the future programme-specific adjustments, the overall margin may reach EUR 17.2 billion. Such larger margin compared to the assumption prior to the adoption of the MFF is mainly due to two factors: 1) the necessary focus on implementing the temporary EU recovery and emergency funds under NextGenerationEU and 2) the more conservative forecast for the new programmes following the late adoption of the 2021-2027 MFF and certain programme-relevant legislation, in particular for cohesion policy.

**On an annual basis, payment needs are well below the payment ceilings** up to 2025 inclusive by an estimated total margin of EUR 19.2 billion, while the needs in 2026 and 2027 appear above by EUR 13 billion. This is a logical consequence of the payment ceiling being set at a stable level in real terms, while implementation is expected to follow the cyclical path of previous MFFs. Pursuant to the automatic adjustment mechanism of Article 11(1)(b) of the MFF Regulation, the amounts not spent in a given year will increase the ceilings for the future years. Therefore, the anticipated margins up to 2025 will be transformed into increased ceilings in 2026 and 2027 (within the limits set by Article 11(3) of the MFF Regulation). Considering this adjustment to the ceilings and the programme-specific adjustment of Article 5 of the MFF Regulation, the current payments forecast for the last two years of the MFF is compatible with the MFF payment ceiling.

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<sup>11</sup> COM(2021)365 of 7.6.2021

Chart 2 - Payments forecast vs MFF payment ceiling



## 2.1. Payments in relation to new commitments

This year's forecast provides an updated estimate of the overall payment needs in relation to the commitments under the new MFF taking account of the actual start of implementation of the new programmes, without prejudice to the outcome of the respective ongoing programming procedures. Compared to the expectations during the negotiations of the MFF package, the updated estimates are lower by some EUR 3.3 billion (less than 0.3% of the payment ceiling).

The COVID-19 pandemic brought enormous challenges to our economies, which triggered decisive policy action and instilled a renewed momentum to the negotiation process of the new MFF and spending programmes. However, for **cohesion policy, maritime policy and the Just Transition Fund**, the accumulated delays in adopting the MFF, the Common Provisions Regulation and the corresponding sectoral legislation will have an impact on the adoption of the 2021-2027 national programmes. Despite the simplifications introduced in the new legislative framework to facilitate the adoption of national programmes and the early engagement of the Commission with national authorities, it now appears that there will be a need for a significant re-programming in line with Article 7 of the MFF Regulation, as was the case in the 2014-2020 programming period. The latest Commission assessment, based on the ongoing informal discussions with the Member States, suggests that around 50% of the national programmes are expected to be adopted in 2021, while the remaining programmes will be adopted in 2022. For the Just Transition Fund the expectation is that most of the programmes will be adopted in 2022. The re-programming of commitments implies that the tranches of annual pre-financing covering both 2021 and 2022 will be due in 2022. The present forecast is, therefore, based on the payment claims' statistics of the 2014-2020 programming period, which provide the most recent historical benchmark. This approach is subject to revision once the actual implementation of the new period is launched and the effects of the simplifications introduced in the new legislative framework can be fully factored in.

The payment estimates for the **Common Agricultural Policy (CAP)** are also revised downwards. The CAP transitional Regulation<sup>12</sup> extends most of the 2014-2020 CAP rules during a transitional period in 2021 and 2022, which will ensure continuous support to agriculture in the essential post-COVID-19 recovery phase. However, it also implies that the implementation of the reformed CAP will start only in 2023. Therefore, Rural Development programmes are assumed to reach cruising speed of implementation later in the MFF, backloading more payments after 2027.

The speed of implementation for both cohesion policy and the CAP may also be affected by the additional availability of NextGenerationEU financing.

For most of the EU programmes centrally managed by the Commission, 2022 will be the first full year of operation. After a slower start due to the negotiation process, the implementation of these programmes is expected to progressively reach cruising speed level.

## **2.2. Payments on pre-2021 commitments**

The Commission's forecast for payments stemming from pre-2021 commitments (RAL for *reste à liquider*) is updated to take into account the expenditure of the 2021 voted budget and the 2022 draft budget proposal.

Compared to last year's forecast, the overall estimated payments are relatively unchanged. However, the distribution across years is revised in particular for the 2014-2020 cohesion policy programmes where implementation is now running at full speed. From 2021 to 2023, in line with the amendment of Regulation (EU) No 1303/2013<sup>13</sup> the annual pre-financing will be 2%. Payment projections are based on the latest Member States' forecast (January 2021), past experience and available information regarding the implementation on the ground. The last accounting year for those funds ends on 30 June 2024. As of 2025 no further payment claims are expected. That is why most of the payments previously forecast for 2025 and 2026 are now expected in 2022 and 2023.

For Rural Development programmes, the annual payment distribution is updated based on the planned spending in the Draft Budget 2022.

The payments on the RAL for the other programmes (notably those implemented centrally by the Commission in direct management) continue to be set on the basis of experience built over the 2014-2020 period, and taking into account the latest project information.

## **2.3. De-commitments**

The overall amount of de-commitments for 2021-2027, linked to the commitments made before 2021, is forecast at **EUR 8.4 billion**, which is consistent with the forecast issued last year. The de-commitment levels vary across MFF headings as the forecast takes into account de-commitments already made and de-commitments identified during the preparation of the Draft Budget 2022.

For the 2014-2020 European Structural and Investment Funds (ESIF) it is assumed that the de-commitment rates observed at the closure of the 2007-2013 programmes would be replicated.

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<sup>12</sup> Regulation (EU) 2020/2220 of 23 December 2020, OJ L 437, 28.12.2020, p. 1.

<sup>13</sup> Regulation (EU) 2020/1542, OJ L 356, 26.10.2020, p. 1.



These de-commitments may be expected around 2024-2026, following the last payments of the 2014-2020 national programmes. A two-year lag may apply to the European Agricultural Fund for Rural Development, in view of the extended transition period for the 2014-2020 rules.

For the programmes centrally managed by the Commission the forecast of de-commitments is based on the most recent project-level information.

The de-commitments are forecast for the entire period covered by the report. The exact year of de-commitment would depend on the closure process of individual projects and actions, and cannot be forecast with precision.

As regards the commitments of the new period, given that 2022 will be the first year of full implementation for most programmes, any assumption of the potential de-commitments associated to them would be premature at this stage.

## 2.4. NextGenerationEU

The non-repayable part of NextGenerationEU constitutes external assigned revenue. This report presents the expected disbursements under NextGenerationEU by benefitting programme (see Table 2)<sup>14</sup>. The estimates are established on the basis of the annual commitment instalments provided in the financial programming accompanying the Draft Budget 2022.

NextGenerationEU spending will be used to frontload additional financial support in the first years of the 2021-2027 period, targeting reform priorities and reinforcing programmes that are key to Europe's recovery. The frontloading is reflected in the concentration of commitments over 2021-2023 and also in the expected payments' distribution, whereby 58% of the disbursements fall over the first three years of the MFF.

The centrepiece of NextGenerationEU is the **Recovery and Resilience Facility (RRF)**, which accounts for 80% of the non-repayable allocations. NextGenerationEU outflows are therefore largely determined by the pace of disbursements for the RRF. Payment requests under the RRF will take place up to twice a year per Member State upon achievement of the milestones and targets established in the Council Implementing Decisions adopted pursuant to the RRF Regulation. Moreover, up to 13% of the total support may be paid upfront as pre-financing. The process of submission of Member States' plans and their assessment by the Commission is currently on-going. At the cut off date of the forecast (27 May 2021), 19 Member States had submitted their recovery and resilience plans, with the remaining 8 plans under preparation by national authorities. The forecast provided in Table 2 is based on a first analysis of the available plans and other complementary information obtained during the dialogue between national authorities and the Commission. As the submissions and assessments of national plans are still in progress, the payment forecast is subject to future adjustments. The planned disbursement profiles will depend on the modalities set in the Council implementing decisions.

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<sup>14</sup> Given its demand-driven delivery mechanism, no forecast is available for the loan component of the Recovery and Resilience Facility (similarly to other loan-based instruments implemented outside the budget).

**REACT-EU** is the second largest part of NextGenerationEU, representing 12% of the non-repayable support. It provides a bridge between the 2014-2020 and the 2021-2027 programming periods for cohesion policy, distributing additional resources in 2021 and 2022 through some of the existing cohesion policy funds - European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Fund for Aid to the Most Deprived (FEAD) - as well as the Youth Employment Initiative (YEI). All programme modifications in relation to the 2021 REACT-EU allocation will be completed and the 11% pre-financing will be paid before the end of 2021. Interim and final payments are concentrated over 2022-2024, in line with REACT-EU objectives to speed up the delivery by using existing programmes and providing full flexibility of implementation rules. Final closure payments will take place by the end of 2025.

The other five programmes supported through NextGenerationEU take up the remaining 8% of its non-repayable allocation. The forecast of payments considers the experience with predecessor programmes, taking into account the shorter cycle of commitments and the focus on immediate recovery needs. For **InvestEU**, the forecast reflects the expected provisioning schedule of the budgetary guarantee. The **Just Transition Fund**, which is completely new, will be affected by the delays in the adoption of the MFF, the Common Provisions Regulation and the sectoral legislation. The adoption of most of the Member States' programmes, and pre-financing payments are expected in 2022, and almost all disbursements are projected to be spread over 2023-2026.

The forecast reflects the fact that all NextGenerationEU resources must be committed by the end of 2023, and therefore no de-commitments are expected.

As regards the financing of the payment needs for NextGenerationEU programmes, the entry into force of the new Own Resources Decision on 1 June 2021 enables the Commission to swiftly start the borrowing operations to raise the necessary funds.

## **2.5. 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 increasing volume of the EU budget over time in nominal terms. There was EUR 303 billion of outstanding commitments at the start of the 2021-2027 MFF. By end 2027, most of those pre-2021 commitments would be paid (97%) or de-committed (3%), with marginal amounts to be paid afterwards. At the same time, the new commitments of the 2021-2027 programmes will start being implemented. During the seven years of the MFF, 74% of those commitments will be followed by payments. This would leave EUR 316.9 billion as RAL at the end of 2027, which represents a nominal increase of 4.8% over the period of seven years. However, comparing the evolution of the RAL in constant prices<sup>15</sup>, there would be a reduction of 7.0% between the level at the start of 2021 and projection for the end of 2027.

The change with respect to last year's projection of a 5% nominal decrease at end-2025 stems from the parameters in the final agreement of the 2021-2027 MFF. Cohesion policy is of particular relevance: the agreement to maintain an n+3 de-commitment rule, in combination with the late

conclusion of the legislative process, imply a similar spending pattern to the 2014-2020 period (see point 2.1). Consequently, the overall payment needs would remain below the commitment levels, leading to an increase in the RAL.

The annual evolution of the RAL volume is not even, it develops in function of the ratio of annual payments to annual commitments. The 2021-2027 period would see a historical peak of the RAL at the end of 2023, when it may exceed the level of EUR 475 billion. This is a temporary effect due to the implementation of NextGenerationEU, which will be entirely neutralised by the end of 2026 when payments on NextGenerationEU commitments will have to be completed.

### **3. FORECAST OF INFLOWS OF THE EU BUDGET 2021-2027**

The EU budget is financed by own resources and other revenue. In addition, with the entry into force of the new Own Resources Decision, the Union is empowered to borrow funds to finance NextGenerationEU. The Commission will mobilise the funds through operations on international capital markets depending on the financing needs of NextGenerationEU's spending programmes (see point 2.4) on the basis of the funding strategy presented in April 2021<sup>16</sup>. The current forecast focuses on the revenue necessary to finance the budget expenditure within the MFF.

The overall amount of own resources needed to finance the budget is determined by the total expenditure less other revenue. Accordingly, the forecast of the EU budget revenue for 2021-2027 is based on the principle that expenditure must be matched by revenue; therefore total revenue equals total expenditure.

As of 2021, in line with the Withdrawal Agreement (part V), the United Kingdom contributes to the EU budget in relation to outstanding commitments of the previous financial frameworks (i.e. the RAL at the end of 2020) as well as to pensions and other liabilities laid down in the financial settlement. The United Kingdom's contribution constitutes 'other revenue' of the EU budget and is not part of the Union's own resources. It will progressively phase-out as the outstanding commitments are being settled.

Other miscellaneous elements not forming part of the Union's own resources are assumed to remain nominally constant at the level of the 2022 draft budget.

The remaining financing – national contributions and customs duties – accounts for the vast majority of the revenue needed to balance the budget expenditure. The projections include the new own resource based on non-recycled plastic packaging waste and the refined own resource based on the Value Added Tax as well as Member States' increased retention rate of customs duties to cover their collection costs. They do not take into account future proposals on new own resources that the Commission has committed to present in accordance with the interinstitutional agreement.

On average for the period 2021-2027, national contributions are projected at EUR 144.9 billion per year or 0.91% of the EU's Gross National Income. The spending cycle and the phasing out of the

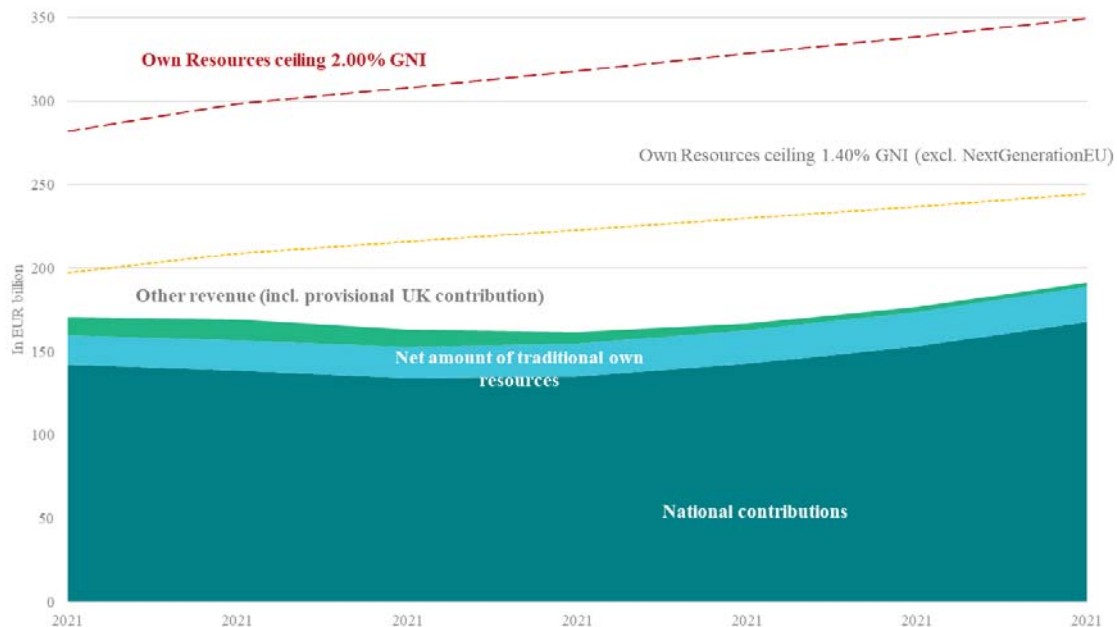
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<sup>15</sup> The constant prices are established by applying a 2% fixed annual deflator to the nominal amounts.

<sup>16</sup> COM(2021) 250 final of 14 April 2021

United Kingdom contribution mainly determine the development of national contributions over the forecast period. The somewhat decreasing expenditure due to the gradual completion of previous programmes (to which the United Kingdom also contributes) leads to decreasing national contributions in 2022 and 2023. From 2024 onwards, increasing expenditure resulting from the new programmes entering cruising speed and the United Kingdom contribution to the RAL phasing out will keep national contributions increasing steadily through 2027.

**Chart 3 - Revenue forecast for financing the MFF 2021-2027**



In any given year, the total own resources collected by the Union may not exceed the Own Resources ceiling set in the Own Resources Decision. The new Decision<sup>17</sup> increases this ceiling from 1.20% to 1.40% of Gross National Income of the EU Member States, with an additional temporary increase of 0.6% of EU GNI for covering all liabilities of the Union from the borrowing on the capital markets to fund NextGenerationEU. With the conclusion of the approval process, the Own Resources Decision entered into force with retroactive application as of 1 January 2021.

As borrowing starts in 2021, the EU budget will provide for the payments of interests on the borrowed funds and allocated to non-repayable support. The own resources necessary to finance those costs are counted within the temporary increase of 0.6% of EU GNI of the Own Resources ceiling. Over 2021-2027 a total of EUR 14.9 billion is planned for financing the costs of

<sup>17</sup> Council Decision (EU, Euratom) 2020/2053 of 14 December 2020, OJ L 424/1, 15.12.2020

NextGenerationEU<sup>18</sup>. Across the years, the planned costs follow a backloaded profile to reflect the progressive rollout of borrowing, and with a view to allowing repayments of principal in 2027.

#### 4. CONCLUSIONS

This long-term forecast report is the first after the adoption of the 2021-2027 MFF and the conclusion of the negotiation process for the spending programmes of the new period. The forecast establishes a comprehensive view on the expected outflows from the EU budget in the next 7 years, including the estimates for NextGenerationEU.

The effects of the COVID-19 pandemic are felt on the long-term projections for the EU budget payments. The negotiations on the MFF and NextGenerationEU were concluded late in 2020, with the negotiations on some sectoral legislation being finalised with some delay. For many programmes of the new MFF, the year 2022 will be the first year of full implementation. A later start of the cohesion policy, similar to what was experienced in 2014-2020, is now anticipated. Payment projections (and corresponding national contributions) are below what was assumed while the MFF package was still under negotiation. The delayed start of the new programming period brings the MFF payment needs well within the limits of the payment ceilings.

Spending in the first half of the MFF period will be mostly marked by the priority investments in recovery from the pandemic and in enhancing the resilience of the EU. Thanks to the frontloaded NextGenerationEU, the highest levels of spending from the budget will come in 2021-2024, phasing out towards 2027 when funding will be channelled through the MFF only. The key to confirm the projected pattern will be the first disbursements under the Recovery and Resilience Facility in the second half of 2021, as well as their size.

At the end of this MFF the level of outstanding commitments (RAL) will increase nominally by 4.8%, with temporary peaks in 2022-2023 due to NextGenerationEU – an effect which will be neutralised by the end of its implementation in 2026. However, when compared in constant prices, the RAL would actually decrease by 7.0% between the level at the start of 2021 and projection for the end of 2027.

The potential to accelerate the implementation of the MFF in the second half of the period compared to the baseline forecast established with the present report and to reverse the trend of a nominally growing RAL, will depend on the effective absorption of the new generation of shared management funds. The payment needs, in particular for cohesion policy, will be closely monitored to assess the effects of the simplifications introduced in the new legislative framework in accelerating implementation.

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<sup>18</sup> Without prejudice to introducing new own resources with a view to covering NextGenerationEU repayment and interest costs.

## **ANNEX I – FORECAST ASSUMPTIONS**

### **1. Specific assumptions by main spending elements**

#### **1.1. 2014-2020 ESI Funds and cohesion policy funds 2021-2027**

As in the 2014-2020 MFF, the first year of the new MFF is focused on adopting the sector-specific legislation, the completion of the previous programming period and starting the implementation on the ground for the new period.

Political agreements were reached on all cohesion policy legislative acts either at the end of 2020 or early in 2021. The completion of the legislative process for the Common Provisions Regulation and all linked sectoral legal bases affects the timing of the adoption of 2021-2027 operational programmes. Approximately 50% of the commitment appropriations allocated for cohesion policy in the 2021 budget are expected to be reprogrammed under the provisions of Article 7 of the MFF Regulation, in equal proportions to the years 2022 to 2025. Therefore the present long-term forecast for the 2021-2027 cohesion policy funds is based on the 2014-2020 experience of interim payment claims submitted as a percentage of the overall envelope, while earlier reports relied on statistics from the 2007-2013 period. Specific payment profiles are used for each of the funds.

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 2021 forecasts. The payments in 2021 and 2022 reflect the authorised budget and the Draft Budget, respectively. For the subsequent years, the implementation deadlines set out in the legislation are a key determining factor. The last accounting year ends on 30 June 2024 and the last final payment claims should be submitted by 31 July 2024. Against this background, it is assumed that 60% of the claims remaining to be submitted after 2022 would come in 2023 and 40% in 2024. For 2023 payments will cover also the annual pre-financing of 2% in line with the amendment of Regulation (EU) No 1303/2013.

#### **1.2. Rural Development**

The implementation of the new Common Agricultural Policy (CAP) will start in 2023 only. To ensure continuous support to agriculture, the CAP transitional Regulation extends by two years most of the rules of the 2014-2020 period. The payment forecast under the European Agricultural Fund for Rural Development (EAFRD) takes into account the impact of this change that also delays the closure of the running programmes. The pre-financing of the new programmes will accordingly start only in 2023 and is applied to the 2023-2027 part of the envelopes only.

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

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 2022. The first two rounds of transfers between pillars of the Common Agricultural policy resulted in a net transfer of EUR 1.2 billion from pillar I (EAGF) to pillar II (EAFRD), which has also been taken into account for the payment estimations.



#### **1.4. 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 payments on the commitments authorised in the current financial framework are based on the Draft Budget 2022 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 first two commitment tranches (2021 and 2022) is extrapolated to the commitments for the years 2023 to 2027.

Those commitments are expected to follow the financial programming accompanying the 2022 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. The forecast of outflows also takes into account those additional commitments.

As for Heading 6 - Neighbourhood and the World, at this stage of the programming it is premature to assess the 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.

The forecast of the payments in relation to outstanding commitments at the end of 2020 is set on the basis of the experience built over the past MFF periods and takes into account the latest project information.

#### **1.5. Administration**

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. No payments are included for the potential use of the margins between the Heading's ceiling and the planned commitment appropriations.

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

#### **1.6. Special Instruments**

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. The present report includes only the planned expenditure for 2021 and 2022 as per the respective budget proposals.

The only exception is the Brexit Adjustment Reserve, to be implemented in the 2021-2027 MFF to counter the consequences in Member States following the withdrawal of the UK from the EU. The total envelope for this reserve is fixed at EUR 5 billion (2018 prices). The Commission tabled in December 2020 a proposal for a Regulation for the Reserve<sup>19</sup> with disbursements planned in 2021 and in 2024. The present forecast reflects this proposal, pending the outcome of the negotiation process.

- 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 2022. These payments are included in the overall payment estimates of the MFF headings provided in Table 1.

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

## **2. Assumptions for forecasting revenue**

### **2.1. Applicable legislation**

The Own Resources Decision 2020<sup>20</sup> sets new rules for the Union's own resources, applicable as of 1 January 2021. For that reason, the revenue forecast presented in this Report is based on the parameters of the Own Resources Decision 2020 for all years of the reporting period (2021-2027). By contrast, the Budget 2021 was based on the parameters of the Own Resources Decision 2014<sup>21</sup>.

### **2.2. Traditional own resources**

Customs duties are projected to grow over the period 2023-2027 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 2022. 25% of the customs duties will be retained by Member States as collection costs, as laid down in the Own Resources Decision 2020. This increase compared to 20% under the Own Resources Decision 2014 reduces the revenue from traditional own resources, which will need to be offset by higher national contributions.

### **2.3. National contributions**

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 2020 introduces a new own resource based on non-recycled plastic packaging waste. The

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<sup>19</sup> COM(2020) 854 final of 25.12.2020, 2020/0380(COD)

<sup>20</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>21</sup> Council Decision on the system of own resources of the European Union, 2014/335/EU, Euratom, OJ L168/105, 7.6.2014.



parameters for the own resources laid down 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.

#### **2.4. Other revenue**

Other revenue of the EU budget traditionally include 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 considered in the 2022 draft budget (i.e. EUR 2 billion) is assumed to remain nominally constant over the period covered by the report.

From 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>22</sup>. This is also reflected in the proposed financing of the 2022 Draft Budget.

The contribution of the United Kingdom related to outstanding commitments at 31 December 2020 is determined by applying the United Kingdom's provisional financing share to the forecast RAL payments for each year of the 2021-2027 period. The resulting annual contribution is established taking into account the payment modalities set out in Article 148 of the Withdrawal Agreement.

The contribution to pension liabilities cannot be forecast, as it needs to be determined annually based on actual beneficiaries, accumulated post-employment rights and other specific elements laid down in Article 142 of the draft Withdrawal Agreement. The only exception are the pension liability specified in Article 142.5 of the Withdrawal Agreement, which are provisionally quantified and included in the United Kingdom's contribution for 2021-2027.

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<sup>22</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).

## ANNEX II – RESULTS OF THE FORECAST

**Table 1 – Long-term forecast of future outflows over 2021-2027 for the MFF**

<i>In EUR billion, current prices</i>	Budget 2021	DB 2022	2023	2024	2025	2026	2027	Total	De- commitm ents
<b>OUTFLOWS</b>									
<i>Commitments ceiling (TAJU 2021)</i>	<i>163,5</i>	<i>167,5</i>	<i>168,8</i>	<i>172,0</i>	<i>175,6</i>	<i>179,7</i>	<i>185,4</i>	<i>1.212,5</i>	
<i>Payments ceiling (TAJU 2021)</i>	<i>166,1</i>	<i>169,2</i>	<i>165,5</i>	<i>168,9</i>	<i>172,2</i>	<i>175,7</i>	<i>179,2</i>	<i>1.196,8</i>	
<i>In addition, ceilings' adjustment for MFFR Article 5 (estimate for <u>future</u> years)</i>			<i>1,7</i>	<i>1,7</i>	<i>1,7</i>	<i>1,8</i>	<i>4,2</i>	<i>11,0</i>	
<b>Commitments appropriations total</b>	<b>168,6</b>	<b>167,7</b>	<b>169,7</b>	<b>174,3</b>	<b>176,7</b>	<b>180,8</b>	<b>188,8</b>	<b>1.226,7</b>	
<b>Payments appropriations total</b>	<b>170,6</b>	<b>169,4</b>	<b>163,2</b>	<b>161,9</b>	<b>166,7</b>	<b>176,5</b>	<b>191,4</b>	<b>1.199,7</b>	<b>8,4</b>
<b>Forecast payments in relation to commitments (RAL) originating before 2021</b>									
<b>1. Single Market, Innovation and Digital</b>	<b>12,9</b>	<b>8,1</b>	<b>5,4</b>	<b>3,9</b>	<b>2,7</b>	<b>2,5</b>	<b>2,0</b>	<b>37,4</b>	<b>1,3</b>
<b>2. Cohesion, Resilience and Values</b>	<b>60,8</b>	<b>52,5</b>	<b>39,9</b>	<b>21,4</b>	<b>1,9</b>	<b>1,8</b>	<b>0,4</b>	<b>178,6</b>	<b>4,0</b>
Economic, Social and territorial cohesion	59,8	51,8	39,5	21,2	1,8	1,7	0,3	176,2	3,7
Resilience and Values	0,9	0,7	0,4	0,2	0,1	0,0	0,1	2,4	0,3
<b>3. Natural Resources and Environment</b>	<b>15,8</b>	<b>11,8</b>	<b>8,7</b>	<b>1,2</b>	<b>0,8</b>	<b>0,2</b>	<b>0,3</b>	<b>38,9</b>	<b>1,7</b>
Market related expenditure and direct payments	0,1	0,1	0,1	0,0	0,0			0,3	
Other programmes of Natural Resources and Environment	15,7	11,7	8,7	1,2	0,8	0,2	0,3	38,6	1,7
<b>4. Migration and Border Management</b>	<b>1,5</b>	<b>1,1</b>	<b>0,8</b>	<b>0,3</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>3,8</b>	<b>1,0</b>
<b>5. Security and Defence</b>	<b>0,4</b>	<b>0,2</b>	<b>0,3</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>1,4</b>	<b>0,1</b>
<b>6. Neighbourhood and the World</b>	<b>8,3</b>	<b>6,0</b>	<b>5,6</b>	<b>4,7</b>	<b>2,0</b>	<b>0,8</b>	<b>0,9</b>	<b>28,3</b>	<b>0,3</b>
<b>7. European Public Administration</b>									
<b>Special Instruments</b>									
<b>Total payments on RAL before 2021</b>	<b>99,7</b>	<b>79,7</b>	<b>60,7</b>	<b>31,7</b>	<b>7,7</b>	<b>5,4</b>	<b>3,7</b>	<b>288,5</b>	<b>8,4</b>

<i>In EUR billion, current prices</i>	<b>Budget 2021</b>	<b>DB 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b>Forecast payments in relation to commitments of the MFF 2021-2027</b>								
<b>1. Single Market, Innovation and Digital</b>	<b>4,2</b>	<b>13,6</b>	<b>14,3</b>	<b>17,1</b>	<b>18,8</b>	<b>20,8</b>	<b>21,7</b>	<b>110,5</b>
<b>2. Cohesion, Resilience and Values</b>	<b>5,6</b>	<b>9,8</b>	<b>16,0</b>	<b>31,9</b>	<b>53,5</b>	<b>58,9</b>	<b>72,0</b>	<b>247,7</b>
Economic, Social and territorial cohesion	2,1	4,6	9,4	23,8	44,5	48,5	59,3	192,1
Resilience and Values	3,5	5,2	6,6	8,1	9,0	10,4	12,7	55,6
<b>3. Natural Resources and Environment</b>	<b>41,0</b>	<b>44,7</b>	<b>48,0</b>	<b>52,3</b>	<b>55,7</b>	<b>58,2</b>	<b>59,9</b>	<b>359,9</b>
Market related expenditure and direct payments	40,3	40,2	41,5	41,6	41,8	41,9	42,0	289,4
Other programmes of Natural Resources and Environment	0,8	4,5	6,4	10,6	14,0	16,3	17,9	70,5
<b>4. Migration and Border Management</b>	<b>1,2</b>	<b>2,1</b>	<b>2,9</b>	<b>3,3</b>	<b>3,8</b>	<b>4,1</b>	<b>4,4</b>	<b>21,8</b>
<b>5. Security and Defence</b>	<b>0,2</b>	<b>1,0</b>	<b>1,1</b>	<b>1,6</b>	<b>1,7</b>	<b>2,0</b>	<b>2,2</b>	<b>9,7</b>
<b>6. Neighbourhood and the World</b>	<b>2,5</b>	<b>6,4</b>	<b>9,0</b>	<b>11,5</b>	<b>13,7</b>	<b>14,8</b>	<b>14,8</b>	<b>72,9</b>
<b>7. European Public Administration</b>	<b>10,4</b>	<b>10,8</b>	<b>11,2</b>	<b>11,6</b>	<b>11,9</b>	<b>12,2</b>	<b>12,6</b>	<b>80,8</b>
<b>Special Instruments</b>	<b>5,6</b>	<b>1,3</b>	<b>0,0</b>	<b>1,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>8,0</b>
<b>Total payments on 2021-2027 MFF commitments</b>	<b>70,9</b>	<b>89,7</b>	<b>102,5</b>	<b>130,3</b>	<b>159,1</b>	<b>171,1</b>	<b>187,7</b>	<b>911,2</b>

\* The total commitments and estimated payments do not include unallocated margins.

\*\* The amounts for special instruments cover the Solidarity and Emergency Aid Reserve and the European Globalisation Adjustment Fund (2021 and 2022 budgets) and the Brexit Adjustment Reserve as per the proposal by the Commission. Payments related to the mobilisations of the Flexibility Instrument are included within the respective headings.

\*\*\* Totals do not tally due to rounding.

**Table 2 – Long-term forecast of outflows for NextGenerationEU***In EUR billion, current prices<sup>23</sup>*

	2021	2022	2023	2024	2025	2026	2027	TOTAL
<b>Budgetary commitments - indicative annual distribution</b>								
<b>NGEU (excl. loans)</b>	<b>164,61</b>	<b>143,50</b>	<b>112,87</b>	<b>0,02</b>	<b>0,02</b>	<b>0,02</b>	<b>0,02</b>	<b>421,07</b>
<b>Payment appropriations - forecast</b>								
<b>Horizon Europe</b>	0,10	1,98	1,78	1,16	0,35	0,05	0,00	5,41
<b>InvestEU</b>	0,17	1,24	1,24	1,24	1,02	1,16	0,00	6,07
<b>REACT-EU</b>	7,12	8,65	13,28	19,03	2,53	0,00	0,00	50,62
<b>RRF non-repayable support</b>	58,24	63,00	77,48	53,92	42,48	42,85	0,01	337,97
<b>Union Civil Protection Mechanism (RescEU)</b>	0,20	0,43	0,54	0,31	0,28	0,25	0,04	2,06
<b>European Agricultural Fund for Rural Development</b>	0,60	2,44	2,70	1,94	0,38	0,00	0,00	8,07
<b>Just Transition Fund</b>	0,06	0,23	2,18	3,26	3,26	1,90	0,00	10,87
<b>Grand Total</b>	<b>66,48</b>	<b>77,98</b>	<b>99,20</b>	<b>80,85</b>	<b>50,29</b>	<b>46,21</b>	<b>0,06</b>	<b>421,07</b>

**Table 3 – Change in the total outstanding commitments from 2021 to 2027***in EUR billion, current prices*

<b>RAL end-2020</b>	<b>Commitments 2021-2027</b>	<b>Payments 2021-2027</b>	<b>De-commitments and others</b>	<b>RAL end-2027</b>
<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(a+b-c+d)</i>
<b>302,6</b>	<b>1 647,8</b>	<b>1 620,7</b>	<b>-12,7</b>	<b>316,9</b>
<i>Of which:</i>				
<b>2014-2020 MFF and earlier*</b>				
302,6	n/a	288,5	-12,7	1,5
<b>2021-2027 MFF</b>				
	1 226,7	911,2		315,5
<b>NextGenerationEU</b>				
	421,1	421,1		

\* The RAL end-2020 includes EUR 4,3 billion generated from third-country contributions to specific programmes of the 2014-2020 MFF. The corresponding payments are included under the column 'De-commitments and others' in the table.

<sup>23</sup> Totals may not tally due to rounding

**Table 4 – Long-term forecast of future inflows of the EU budget over 2021-2027**

<i>In EUR billion, current prices</i>	<b>Budget 2021</b>	<b>DB 2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total 2021-2027</b>
<b>INFLOWS</b>								
<b><i>Own Resources ceiling in % of EU Gross National Income</i></b>	<b>2,00%</b>	<b>2,00%</b>	<b>2,00%</b>	<b>2,00%</b>	<b>2,00%</b>	<b>2,00%</b>	<b>2,00%</b>	<b>n/a</b>
<i>of which temporary increase for NGEU</i>	0,60%	0,60%	0,60%	0,60%	0,60%	0,60%	0,60%	n/a
<b><i>Own Resources ceiling expressed in EUR billion*</i></b>	<b>281,8</b>	<b>298,4</b>	<b>308,0</b>	<b>318,0</b>	<b>328,3</b>	<b>338,6</b>	<b>349,1</b>	<b>n/a</b>
<i>of which temporary increase for NGEU</i>	84,5	89,5	92,4	95,4	98,5	101,6	104,7	n/a
Net amount of traditional own resources**	17,3	17,9	18,5	19,1	19,7	20,3	21,0	133,9
National contributions***	142,2	138,7	134,2	135,4	142,8	153,3	167,7	1.014,3
<b>Total own resources</b>	<b>159,6</b>	<b>156,6</b>	<b>152,7</b>	<b>154,5</b>	<b>162,5</b>	<b>173,6</b>	<b>188,7</b>	<b>1.148,2</b>
<i>of which own resources to finance NGEU liabilities</i>	0,0	0,4	1,0	2,1	2,7	3,7	5,0	14,9
Other revenue (incl. provisional UK contribution)	11,0	12,8	10,5	7,5	4,2	2,9	2,6	<b>51,4</b>
<b>TOTAL REVENUE</b>	<b>170,6</b>	<b>169,4</b>	<b>163,2</b>	<b>161,9</b>	<b>166,7</b>	<b>176,5</b>	<b>191,4</b>	<b>1.199,7</b>

\* Own Resources ceiling - calculated on the basis of the Spring 2021 economic forecast for the Gross National Income of the EU27 for 2021-2027

\*\* Traditional own resources are estimated on the basis of 25% retention rate for collection costs.

\*\*\* National contributions include the Gross National Income-based own resource, the reformed Value Added Tax-based own resource and the new own resource based on non-recycled plastic packaging waste.