



## EU-upplysningen

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- What are the EU's expenditures and revenues?
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- Who monitors the way the EU budget is used?



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# The EU economy and budget

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The EU budget is used to implement EU policy. The budget is financed by contributions paid to the EU by the member states. The contributions consist of revenues from tariffs and value-added tax as well as a charge based on the member states' gross national income (GNI). Most of the money is distributed to the member states in the form of support and subsidies. The Court of Auditors and the European Parliament monitor how the budget is used.

### What is the EU's money used for?

The EU's annual budget amounts to approx. SEK 1,300 billion. The money is used mainly to implement EU policies.

A great deal of the expenditure is distributed to the member states in the form of support in the various EU policy areas. Major areas of expenditure are EU support to the agricultural sector and regional support. EU support is also given to such fields as cultural and student exchanges, environmental work and research. In most cases, it is the government agencies in the individual member states that are responsible for deciding how to distribute EU support. In Sweden, for example, the Swedish Board of Agriculture and the Swedish Agency for Economic and Regional Growth are charged with this task.

All the money does not go to EU support. Some of the EU budget is used to finance common projects, for example computer systems for crime fighting and border controls, and a European satellite navigation system which will be an alternative to the GPS system. Approx. 6 per cent of the budget is used for EU administration and management.

The member states' own costs for implementing EU policies and decisions are not included in the EU budget.

The EU's annual budget amounts to approx. SEK 1,300 billion. This can be compared with the Swedish central government budget, which in 2011 amounted to SEK 810 billion. However, it is difficult to make direct comparisons between the EU budget and a national budget. The state has costs that are different from those of the EU, for example costs for the activities of state agencies and social security systems.

The EU budget is directed towards implementing the common policy of the EU member states and does not include for example costs for child allowances and sickness benefit, the police force and the judiciary, or roads and railways.

### Where do the EU's revenues come from?

The EU's revenues come mainly from the member states, which every year pay their contributions to the EU. These contributions are called the EU's own resources, and consist of revenues from customs and value-added tax (VAT) and a GNI resource, in other words a contribution based on a particular member state's gross national income.

### How much do the member states pay in their contributions and how much do they get back?

Member states' contributions to the EU are determined by means of negotiations between the member states. In general, larger richer countries pay more than smaller poorer ones. Sweden pays approx. SEK 30 billion per year in contributions to the EU and gets back approx. SEK 10–15 billion in the form of support and grants.

### Which countries pay the highest and lowest contributions to the EU?

Germany, France and Italy pay the most in contributions to the EU, while Malta, Estonia and Cyprus pay the least. In relation to the size of their populations, Luxembourg, Belgium and Denmark pay the most, while Bulgaria, Romania and Poland pay the least. Sweden has the ninth highest contribution, and the sixth highest contribution in relation to the size of its population.

### Which countries are the greatest net recipients and which are the greatest net contributors?

Greece, Poland and Portugal are the greatest net recipients. This means that they get back more in the form of support and grants than what they pay in contribu-



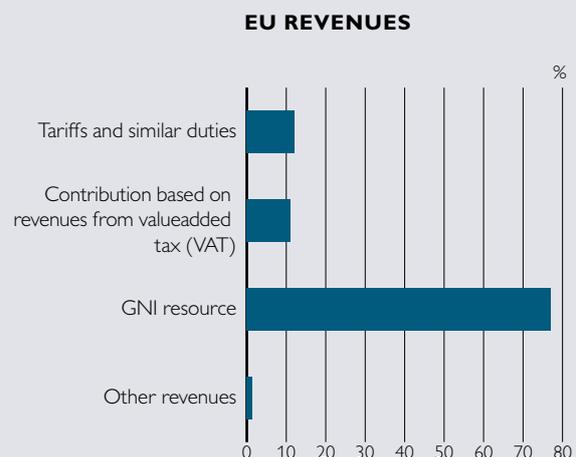
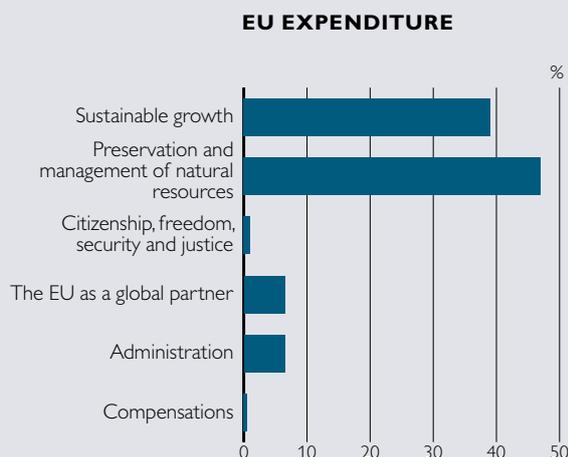
Some of the EU's expenses go to the fisheries sector.

tions to the EU. Greece and Portugal are also the largest net recipients in relation to the size of their populations. Germany, Italy and France are the largest net contributors, that is they pay more in contributions to the EU than what they get back in the form of support and grants. After the Netherlands and Belgium, Sweden is the third largest net contributor in relation to the size of its population.

Since 1985, the United Kingdom has been granted a reduction in its contribution to the EU financed by the other member states.

### Expenditure for various activities

These items of expenditure are used to implement EU policy and are mainly put to use in the member states themselves. A major part of these go to agricultural policy and what is termed cohesion policy, for example support to regional development and employment. EU expenditure is divided into six categories as follows:



### *Sustainable growth*

In order to boost EU competitiveness, the EU gives support to such areas as education and research. This support goes to EU policy for economic and social cohesion, which includes support to disadvantaged regions and labour market training schemes.

### *Preservation and management of natural resources*

EU support to agricultural policy includes support that is paid direct to farmers, market support to even out differences in price in the internal market or to increase the use of certain agricultural produce, and support to rural development. Support in the environmental sector and fisheries sector are also included in this category.

### *Citizenship, freedom, security and justice*

The EU gives support to projects intended to contribute to a common policy on asylum or to strengthen cooperation between member states to combat crime. There is also support in the consumer area and for the promotion of European culture, for example marketing support for European films and television productions.

### *The EU as a global partner*

EU candidate countries receive special support prior to accession to the EU. Other expenses include cooperation with neighbouring countries, Common Foreign and Security Policy and development assistance.

### *Administration*

Costs for administration and management include salary and pension contributions for employees of EU institutions and costs for premises.

### *Compensations*

A member state may be granted a reduction in its membership contribution – known as compensation – during the first few years of membership. The reason for this is that there can be some delay in payment of support and grants by the EU to the member state in question. Bulgaria and Romania, who became members of the EU in 2007, received compensations during the first three years.

### **Revenue from the member states**

The EU's revenues are mainly composed of member states' contributions, also known as "own resources", which consist of revenues from customs duties and



Disadvantaged regions in EU member states can receive EU funding for expanding their road network.

VAT and a charge based on the states' gross national income (GNI).

### *Tariffs and similar duties, also known as "traditional own resources"*

75 per cent of the customs duties that member states levy on the import of goods and products from countries outside the EU go to the EU budget. Sugar producers in the EU also pay special production contributions.

### *Contribution based on revenues from value-added tax (VAT)*

Every member state charges VAT for consumption of goods and services. Some of these VAT revenues go into the EU budget. The VAT contribution corresponds to 0.3 per cent of the member states' VAT base.

### *GNI resource*

The remaining revenues to the EU budget consist of what is known as the GNI resource, which is based on the countries' gross national income (GNI).

A major part of the EU budget is financed with member states' GNI resources. GNI consists of the gross national product, in other words the value of goods and services produced in a country during the period of one year, plus the net revenues of companies, salary and capital to and from countries abroad.

Customs duties and VAT together represent a little less than a third of income to the budget.

### **Other countries also pay a contribution to the EU**

In addition to the member states' EU contributions, there are other revenues, for example possible surpluses from previous years, pension contributions from employees of EU institutions and service charges.

Other revenues also consist of contributions from countries that participate in certain parts of the EU's activities but are not members of the EU. This may for example apply to participation in customs cooperation and EU programmes. Norway and Iceland, for example, participate in EU programmes for regional development, the environment and training in spite of the fact that neither of the two countries are EU members.

### How is the EU budget decided?

The European Commission proposes how revenues and expenditure are to be distributed between the various activities of the EU during the coming year. The Council of Ministers and the European Parliament decide jointly on the budget.

The budget process is introduced one year before the current budget year and follows a special timetable which is stipulated in the Treaty on the Functioning of the European Union (the EUF Treaty). In addition to this, there is a budget regulation, usually called a financial regulation, with more detailed pro-

visions on how the budget should be drawn up and scrutinised.

The budget must be kept within the framework that is determined in the multi-year financial framework, the long-term EU budget. The current long-term budget agreed on by the European Parliament, the Council of Ministers and the European Commission applies to the period 2007-2013. The financial framework places a ceiling on EU expenditure. In addition to this, the Council has also decided on a ceiling for member states' contributions to the EU.

## Monitoring the use of EU funds

The European Commission administers the budget and is responsible for ensuring that expenditure is directed towards activities decided upon by the institutions. The Court of Auditors is responsible for scrutinising all income and expenditure, and for checking that the financial administration has been carried out correctly.

Every year, the Court of Auditors submits an annual report containing the result of its scrutiny to the European Parliament and the Council of Ministers. The Court of Auditors also compiles special reports on individual activities during the course of the year, for example on how EU support to certain countries or individual projects is administered. The Council and the European Parliament use the reports as a base when they scrutinise how the Commission has administered the budget during the previous year. It is the European Parliament that decides whether the Commission is to be discharged from liability for the budget.

### European Anti-Fraud Office

The European Commission, together with the member states, has to fight fraud in the EU. The European Anti-Fraud Office (OLAF) is responsible for combating fraud and abuse in the administration of the EU budget.

The major part of EU expenditure is administered by authorities in the member states responsible for paying out support, for example as part of agricultural policy. For this reason, OLAF cooperates with the member states in its investigations. If any recipient of EU funds is found to have misused these funds, it is the task of the member state in question to deal with the problem.

#### WOULD YOU LIKE TO FIND OUT MORE?

You are welcome to put questions direct to our information officers by telephone, e-mail or letter. Our contact information is available below.

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