

Impact on the 2024 EU budget of increasing borrowing costs for the European Union Recovery Instrument

The EU budget is extremely tight. Borrowing costs related to the European Union recovery instrument (EURI), which have risen significantly due to the rise in interest rates, are putting further pressure on the budget. This undermines the EU's capacity to finance its priorities or react to unforeseen events, and puts flagship programmes at risk. A report by Parliament's Committee on Budgets calls for an urgent revision of the EU's long-term budget – to be in place by the start of 2024 – providing a structural solution to covering the financing costs for EURI. The report is due to be debated and voted upon during the May I plenary session.

Background

In a [resolution](#) of December 2022, the Parliament pointed out that the EU's long-term budget (multiannual financial framework, [MFF](#)) was already extremely tight owing to the multiple crises the EU had had to face, and the effects of Russia's war of aggression against Ukraine. Underlining that budgetary flexibility had already been used extensively and that unallocated margins are very limited, it called for an ambitious [revision](#) of the MFF to increase the EU budget. It called on the Commission to present such a proposal no later than the first quarter of 2023. Moreover, in adopting the 2021-2027 MFF, the Parliament, the Council of the EU and the European Commission agreed in a [joint declaration](#) annexed to the MFF that the financing costs (repayment and interest costs) of the [EU recovery instrument](#) (Next Generation EU, [NGEU](#)) should not reduce the amount for EU programmes and funds. Additionally, they agreed to work towards introducing sufficient [new own resources](#) with a view to covering the relevant costs.

Position of the Committee on Budgets (BUDG)

Under [Rule 93](#) of Parliament's Rules of Procedure, BUDG may draft a report whenever this is considered necessary in relation to the annual budgetary procedure. On that basis, BUDG adopted a report on 26 April (26 in favour, 2 against and 5 abstentions). The report notes that the costs for repaying EURI borrowing costs have increased substantially: their initial amount (€15 billion in total), was based on an interest rate for borrowing ranging from 0.55 % to 1.15 % for 2021-2027, while interest rates are now over 3 %. With the projected 2024 budget having very limited or no margins under most spending ceilings, increasing EURI repayment costs will negatively affect the EU's capacity to finance new initiatives or respond to unexpected needs, and could even jeopardise the financial envelopes of existing programmes.

BUDG demands that the Commission provide timely detailed information on the calculations forecasting EURI borrowing costs up to 2027. BUDG recalls that debt repayment is non-discretionary and is inherently volatile. It calls for an urgent and ambitious MFF revision, which would provide, by 1 January 2024, the necessary architecture to finance EURI borrowing costs, preserve the envelopes of existing programmes and provide further flexibility and resources in case of emerging needs. It calls for EURI repayment costs to be placed on top of the MFF ceilings. BUDG deplores the failure to adhere to the agreed [roadmap](#) for new own resources, which envisaged their introduction in January 2023, and calls on the Council to adopt the necessary [amendments](#) to the Own Resources Decision without any further delay.

Budgetary initiative: [2023/2037\(BUI\)](#); Committee responsible: BUDG; Rapporteur: Johan Van Overtveldt (ECR, Belgium).

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