

## The EU's long-term budget explained



The EU budget is used to help millions of students, thousands of researchers, cities, businesses, regions and NGOs.

**How is the EU funded and what is the money invested in? Read on to understand what the EU long-term budget is and how it is decided.**

The EU's long-term budget helps millions of students, thousands of researchers, cities, businesses, regions and NGOs. It contributes to healthier and safer food, new and better roads, railways and airports, [a cleaner environment](#) and [better security at the EU's external borders](#).

The idea behind it is that pooling resources makes Europe stronger and is key to boosting prosperity. As Europe faces the devastating social and economic impact of [the coronavirus pandemic](#), an ambitious EU budget that meets the [expectations of Europeans](#) is more crucial than ever.

### What is the EU's long-term budget?

The EU's long-term budget is also sometimes referred to as the multiannual financial framework (MFF). It sets the limit on how much money the EU can invest over a period of at least five years in different policy areas. Recent long-term budgets have been set for seven years.

One of the reasons the EU has a long-term budget as well as annual budgets is to make it easier to plan for the programmes that the EU wants to fund and increase their efficiency. This predictability is needed for example for researchers who work on scientific projects that take several years to complete.

The long-term budget also needs to have a degree of flexibility to deal with unforeseen crises and emergencies, such as for example the Covid-19 outbreak. It therefore includes a number of instruments to ensure that money can be used where it is most needed in unplanned circumstances.

For example, the EU solidarity fund is designed to provide financial assistance in the event of a [major disaster](#) in a member state. It also has a [globalisation adjustment fund](#) intended to help workers find new employment if they have been made redundant as a result of structural changes in world trade patterns or an economic crisis.

Since the outset of the coronavirus crisis, EU funding has been made available to counter the socio-economic impacts of the pandemic and to support the healthcare systems of EU countries. [Learn more in our timeline of EU Covid-19 action.](#)

Unlike national budgets, the EU's budget is more of an investment budget. For example, it doesn't fund primary education or national defence. Instead, the focus is mostly on areas where the EU can make a difference by boosting growth and competitiveness, or putting solidarity into practice by supporting those hardest hit by the Covid-19 crisis.

# The EU's long-term budget explained

## What is it?

The EU's long-term budget sets limits on how much funding can be used, not just in general, but also in specific policy areas, over a period of **seven years**.

## The purpose is to ensure:



The EU has enough resources for its priorities



The EU can adopt an annual budget easily



The EU does not go over budget



It is easier to plan

Source: European Parliament

**I count on Europe**



Infographic explaining what the EU's long term budget is

## What does the EU spend money on?

The budget supports research and innovation, investment in trans-European networks and the development of small and medium-sized enterprises (SMEs), which aim to boost growth and create jobs in the EU.

The EU's [common agricultural policy](#) (CAP) together with the common fisheries policy and environment receives the most funding under the current long-term budget. This is followed by "cohesion" programmes that aim to support poorer regions. The long-term budget also funds international humanitarian aid and development projects.

Read more about the [programmes that the long-term budget supports](#) and [the projects financed in your region](#).

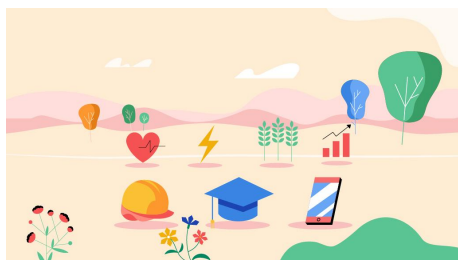
## How is the EU long-term budget funded?

The financing of the EU's long-term budget is complex as there are several sources of income. They include:

- contributions from EU countries
- import duties on products from outside the EU
- fines imposed on companies breaking EU competition rules.

To help EU countries save money, particularly in light of the impact of the coronavirus outbreak, Parliament wants to reform the way the EU budget is funded. It has called for [new sources of revenue](#).

Due to the anticipated [drop in the gross national income of EU countries in light of the pandemic](#) and to [finance the recovery](#), Parliament has also [approved](#) an increase of the so-called own resources ceiling, notably the maximum amount the EU can request from member countries to finance the budget.



### Recovery package

[https://multimedia.europarl.europa.eu/en/what-is-the-multiannual-financial-framework-or-mff\\_B01-ESN-20200924-EN\\_ev](https://multimedia.europarl.europa.eu/en/what-is-the-multiannual-financial-framework-or-mff_B01-ESN-20200924-EN_ev)

## How is the EU long-term budget decided?

Before the ongoing long-term budget expires, the European Commission makes a proposal for the next one. This is used as a basis for negotiations by the European Parliament and the Council, which brings together ministers from all EU countries.

For the long-term budget covering 2021-2027, [the Commission published its proposal in May 2018](#). [Parliament adopted its position in November 2018](#), and [reconfirmed it in October 2019](#). The Council still hadn't made its negotiating position clear when the coronavirus pandemic broke out in early 2020.

To address the coronavirus outbreak and its consequences, Parliament called [on 17 April and 15 May 2020](#) for a large-scale recovery and reconstruction package to reboot Europe's economy and assist those hit hardest by the crisis. In response to Parliament's calls, the Commission proposed an economic stimulus plan worth €750 billion linked to a €1.1 trillion EU budget for the period 2021-2027.

*[Learn more about the EU plan for the economic recovery](#)*

EU leaders reached agreement on the long-term budget and the Covid-19 recovery fund in July 2020. [In a resolution following this agreement](#), Parliament deplored the proposed cuts to key programmes and called for democratic oversight of the recovery plan as well as a [clear link between respect for rule of law by EU countries and access to funds](#).

Parliament and EU governments discussed the Commission's proposals in negotiations, which started in late August.



#### A budget fit for the future

[https://multimedia.europa.eu/en/long-term-budget-parliament-defends-eu-flagship-programmes\\_N01-PUB-200924-MMFP\\_ev](https://multimedia.europa.eu/en/long-term-budget-parliament-defends-eu-flagship-programmes_N01-PUB-200924-MMFP_ev)

## How will the EU's 2021-2027 budget look?

After 10 weeks of intense negotiations, Parliament and Council negotiators reached [agreement](#) on 10 November 2020 on the EU's investment and financing plan for the coming seven years. Speaking following the breakthrough, Parliament President David Sassoli [said](#): "This is a good deal for Europeans. Together this package of measures will help European countries recover from the immediate crisis, while also investing in Europe's long-term future."

In its negotiations, Parliament secured [an extra €15 billion](#) to reinforce key EU programmes such as [EU4Health](#), [Horizon Europe](#) (research and innovation) and [Erasmus+](#) (education, youth and training) that improve lives across Europe. A further €1 billion will increase flexibility to address future needs and crises.

Parliament also fought hard to secure a legally-binding agreement on the introduction of new streams of EU revenue. This will ensure that the repayment costs of the Covid-19 recovery do

not fall on Europe's taxpayers or come at the detriment of existing EU programmes. The fresh funding lines include a levy on non-recycled plastics, a tax on digital giants and a financial transaction tax.

At least 30% of the EU budget and the €750 billion Covid-19 recovery fund will support [climate action](#). Parliament also secured enhanced budgetary scrutiny of the recovery fund. The 2021-2027 budget requires Parliament's final consent as well as unanimous backing in the Council. Parliament approved the seven-year budget [in a vote on 16 December](#), while the Council adopted it the following day. Together with the Covid-19 recovery package, it will allow the EU to provide €1.8 trillion in investments.

MEPs and the Council also reached [agreement on introducing a new mechanism](#) to make receipt of EU funds conditional on member states upholding the rule of law. The new mechanism will be triggered not only when a breach directly affects EU funds but also when there is a serious risk of such a breach. End beneficiaries of EU funding will be protected. [Voted into law by Parliament on 16 December](#), the new regulation [applies from 1 January 2021](#) .. A [survey](#), commissioned by Parliament and conducted in October 2020, shows that eight out of 10 Europeans want EU funds to be linked to respect for rule of law.