The development of the EU budget and its impact on Austria, Finland and Sweden

Wien, 21. September 2020

Walpurga Köhler-Töglhofer und Lukas Reiss
Oesterreichische Nationalbank

Opinions expressed by the authors do not necessarily reflect the official viewpoint of the Oesterreichische Nationalbank or of the Eurosystem.
Introduction

• Austria, Finland and Sweden joined EU in 1995
  – Pay membership contributions and receive transfers (agriculture, regional, R&D, …)
  – Costs and benefits of EU membership cannot be reduced to financial linkages to EU budget

• Overview over presentation
  – Structure of EU budget over time
  – Net payments and rebates in current MFF (Multiannual Financial Framework 2014-2020)
  – Financial linkages of AT, FI and SE over time
  – Outlook to forthcoming MFF
EU budget expenditure

% of GNI

Agricultural policy
- Direct payments to farmers and rural development

Structural funds
- Regional fund (mainly for low-income regions),
- cohesion fund (only for low-income member states), …

Other areas
- Horizon 2020, cross-border infrastructure projects

Sources: European Commission, OeNB.

Note: The administrative costs were shown as part of other expenditure in 1991. This chart excludes collection payments, which were shown in the EU budget as expenditure until 1987.
Current MFF: not only the UK gets a large rebate on its national contribution.

Financing of EU budget:
- Own resources (import duties, sugar levies) only about 0.1% of GNI
- GNI ~ GDP adjusted for income earned abroad
- National contributions based on GNI and fictional harmonized VAT base

Rebates on national contributions to avoid „excessive net payments“
- UK, NL, SE, DE, DK, AT
- All high income states with average or below-average transfers from agricultural funds
Current MFF: Many large net recipients

Net contributions to the EU budget from 2014–2018

% of GNI

Redistribution
- No net payer > 0.5% of GNI
- 10 net recipients with > 2% of GNI (GR and most CESEE MS)
- Low-income MS get large transfers from cohesion and structural funds

Rebates go to the six largest net payers
- DK, DE, NL, AT, SE, UK
- Agricultural funds also influence net positions of high income MS (e.g. FR vs. UK, AT vs. NL)

Sources: European Commission, OeNB.
MFFs since 1995: Austria and Sweden always significant net contributors, Finland since mid-2000s

Austria's, Finland's and Sweden's financial relationship with the EU budget

AT, FI, SE are high-income members
- esp. since EU enlargements in 2004/07
- currently significant net contributors
- most transfers from EU budget come from agriculture

AT and SE get a rebate, while FI does not
- Still FI has a lower net contribution due to higher receipts from agricultural and regional funds

Source: European Commission
Outlook and conclusions

• Coming MFF and NextGenEU
  – Brexit puts pressure on MFF due to missing UK net contribution, but increased rebates for largest net contributors like AT and SE
  – Further decrease of agricultural policies’ share in spending
  – Transfers from NextGenEU funds are targeted at low-income MS → de facto very high net contributions from AT, FI and SE

• Concluding remarks
  – AT, FI and SE are high income MS and thereby net contributors
  – Transfers from EU budget mainly from agriculture which is a declining policy area
  – Costs and benefits of EU membership cannot be reduced to financial linkages to EU budget
Danke für Ihre Aufmerksamkeit
Thank you for your attention

www.oenb.at
oenb.info@oenb.at
@oenb
@nationalbank_oesterreich
OeNB
Annex: EU budget revenue over time

Traditional own resources
- Mostly import duties
- Downward trend
- Compensation for collection of 20% (to be increased to 25%)

National contributions
- Membership fee
- Based on fictional VAT base and on GNI
- GNI-based contributions are set such that EU budget is balanced (ex ante)

Sources: European Commission, OeNB.

Note: Until 1987, traditional own resources were shown in the EU budget in gross terms and collection payments recorded as expenditure. For the purpose of consistency with the years from 1988 onward, these two items are offset for this chart.
Annex: Cofinanced spending

Cofinanced spending envisaged for Austria, Finland and Sweden from 2014−2020

Direct payments to farmers are only financed by EU budget

But rural development, regional, social, cohesion funds are all co-financed by MS

- the higher the GDP of the MS/ the region, the higher the cofinancing rate

Source: European Commission.

EAFRD = rural development; EMFF = fishery; ESF = social fund; ERDF = regional fund; YEI = youth employment