

EUROP AGORA *2025*



ECONOMIC AFFAIRS AND BUDGETARY CONTROL



Hey there, this year's theme for the Economic Affairs and Budgetary Control Committee of EuropaAgora 2025 is... **drumroll*...*:

Effective Investment into Future Prosperity: Budget Allocation and Economic Oversight

Read on to find out more about this particular theme...

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I. Presentation of the chair

Hi everyone,

I'm Nell, I'm doing a general science degree at PSL University and Lycée Henri IV in Paris.

I'm Alex, I'm studying International Relations at the University of St Andrews in Scotland.

We'll be your chairs for the Economic Affairs and Budgetary Control committee this year !



We've participated in Model United Nations (MUN) and European Simulations all around Europe, both as delegates and as chairs. We had so much fun that last year, as co-presidents of a MUN club, we organised an EU-centered MUN debate. We learnt loads about the inner workings of the EU, and we loved meeting motivated people from all over. We're looking forward to repeating the experience at EuropAgora 2025 !

In a few days, the European Parliament and Council will begin presenting their priorities and objectives for the 2026 budget and creating the first draft. Your role in this committee is to create solutions to the billions of euros lost to corruption and inefficiencies. Think fast, dream big, approach problems from every angle and create strong alliances to promote your ideas effectively. Looking forward to meeting you in February !



II. Introduction to the Committee on Economic Affairs and Budgetary Control

Based on the European Parliament's Committee on Economic and Monetary Affairs (ECON) and Committee on Budgetary Control (CONT), EuropAgora's Committee on Economic Affairs and Budgetary Control (CEABC) manages the European Union's (EU) fiscal mechanisms and economic governance.

The Committee on Economic Affairs and Budgetary Control (ECON) plays a key role in the European Parliament, overseeing the EU's fiscal policies and economic governance. Its responsibilities include monitoring how the budget is implemented, reviewing financial regulations, and assessing the effectiveness of policies to ensure spending supports sustainable growth and fair development. Through its work, the committee helps maintain accountability and alignment with the Union's broader objectives. The committee seeks to guarantee that the allocation of resources maximizes the welfare of EU citizens while safeguarding transparency and accountability. In doing so, the committee underpins the institutional framework that aspires to secure a prosperous economic future for the EU.

The CONT, on the other hand, serves as the EU's financial reporting system, overseeing the execution of the EU budget and the European Development Fund. It also monitors the cost-effectiveness of EU financing in policy implementation. Additionally, the CONT ensures that the European Investment Bank's financial activities comply with EU financial regulations and policies, and it considers measures to assist the European Anti-Fraud Office in preventing and prosecuting fraud cases.

III. Presentation of the Topic

"A budget tells us what we can't afford but it doesn't keep us from buying it". William Feather

A) Key Definitions

Budget Allocation: The process of distributing financial resources to various sectors and initiatives based on priorities set by the EU's Multiannual Financial Framework (MFF).

Economic Oversight: Monitoring and assessing financial activities to ensure accountability, transparency, and alignment with economic goals.

Sustainable Prosperity: Economic growth that balances financial progress with environmental and social well-being.

B) Main Issues

The EU budget is facing three big challenges, and here's what they mean in simpler terms:

1. Balancing the Regular Budget with Borrowed Money

- The EU has a traditional budget called the Multiannual Financial Framework (MFF), but it's increasingly borrowing money for big projects outside of this budget.
- **Example:** During the COVID-19 pandemic, the EU launched the "Next Generation EU" (NGEU) recovery fund, borrowing €800 billion from financial markets.
- The problem? Borrowing money means the EU has to pay back loans and interest in the future, which will come from its regular annual budgets. This could squeeze out funding for other programs.

2. Rising Debt Costs

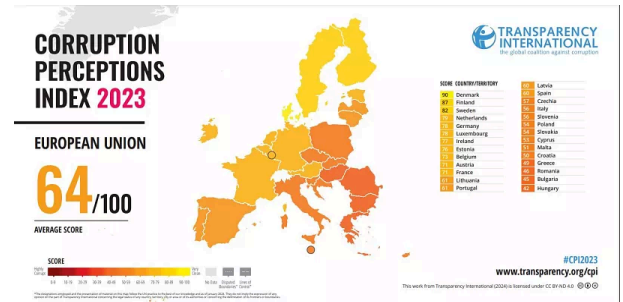
- When the NGEU fund was created, interest rates were very low, making borrowing cheap. Now, with rising interest rates, the cost of paying back loans is much higher.
- Some of the NGEU money is **loans to member states**, which they repay themselves, so this doesn't burden the EU budget.
- But a larger share of the money was given out as **grants** (free money) to countries in southern, central, and eastern Europe. The cost of these grants falls on the EU
- **Example:** The Ukraine Facility, a fund to help Ukraine, will also be funded through EU borrowing, adding more pressure to the budget.

3. Finding New Sources of Income

- The EU mostly gets its money from contributions from member states, based on how much they earn (Gross National Income or GNI).
 - Some ideas to raise more money include:
 - Using savings from existing programs (this will probably not be enough).
 - Asking member states to pay more into the budget, but most finance ministers strongly oppose this.
 - There's also talk about finding **new ways for the EU to generate revenue**, but this is politically tricky and has been debated for years.
-

C) Other Challenges:

Despite the EU's robust framework, inefficiencies in resource allocation persist and pose significant challenges to achieving optimal outcomes. An uneven distribution of funding often results in overinvestment in well-established sectors while neglecting other areas, especially those that are pivotal to green and digital transitions. Moreover, in the current geopolitical context, the EU's continued competitiveness on the global stage is threatened.



The invasion of Ukraine has highlighted the EU's dependence on foreign imports in key sectors such as energy and semiconductors, emphasising the importance of reliable trade partners in today's increasingly polarised world. Furthermore, insufficient oversight mechanisms compromise the stability of resource allocation and erode public confidence in the Union's institutions - the EU loses up to an estimated €990 billion to corruption every year. Another pressing concern is the exacerbation of economic disparities within and among member states, as marginalised regions frequently lack access to adequate investment, perpetuating the cycles of inequality and underdevelopment which go against the EU's founding values.

What's at Stake?

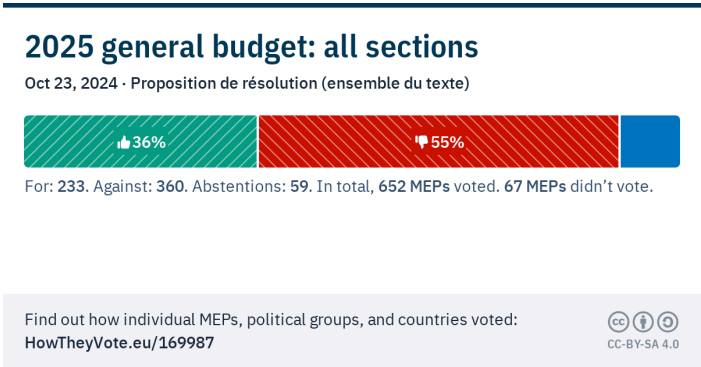
1. **Debt Prioritization:** The EU must prioritize loan repayments, meaning it might have less money for other important programs.
2. **Political Challenges:** Rising interest rates and limited funds make it harder for countries to agree on how to share the financial burden.
3. **Future Implications:** If no solution is found, essential EU programs could suffer, and political disagreements over the budget could worsen.

The EU budget is caught between rising debt from borrowing, higher interest payments, and the need for more income. While borrowing helped during the pandemic, the long-term challenge now is figuring out how to pay for everything without upsetting political agreements or cutting back on critical programs.

D) Existing Policies and Proposed Reforms: The Role of the European Parliament

The European Parliament has been proactive in addressing these challenges, championing policies designed to enhance the efficiency and impact of EU investments. Noteworthy initiatives include the NextGenerationEU recovery fund, a landmark program mobilizing €800 billion to support post-pandemic recovery and resilience. Similarly, the European Green Deal exemplifies the Parliament’s commitment to climate neutrality, directing substantial resources towards transformative projects in renewable energy, sustainable agriculture, and circular economies.

Complementing these efforts, reforms to the European Court of Auditors aim to bolster transparency and ensure that fiscal practices adhere to the highest standards of integrity. In 2023, the Commission presented a proposal to fight corruption, which included implementing minimum criminal penalties and sanctions for different offences, as well as expanding the definition of criminal corruption offences to include acts such as misappropriation, trading in influence, and obstruction of justice. As of January 2025, the Parliament has not yet confirmed its position on the proposal, which has therefore not yet been adopted.



E) Best Practices in Budget Allocation and Economic Oversight

Effective budgetary practices are characterized by a commitment to participatory decision-making, wherein stakeholders across society are actively engaged in shaping fiscal priorities. The integration of comprehensive impact assessments ensures that investments yield tangible benefits in employment generation, technological advancement, and environmental stewardship. Advances in digital financial tools including artificial intelligence and blockchain technology further enhance oversight by enabling real-time tracking of expenditures. By adopting these practices, the EU can strengthen its capacity to achieve equitable and sustainable outcomes while maintaining public trust in its institutions.

IV. Documents

A) EU Decision-Making Process on Budget Allocation

The EU budget is used for investments into projects which are more effective at a broader EU level than at a local or national level. The Multiannual Financial Framework (MFF) is a long-term budget, effective from 2021 to 2027. Every year, an annual budget is agreed upon, providing a more detailed allocation of funding which conforms with the MFF. If an unprecedented and unexpected event challenges the effectiveness or relevance of the MFF, as was the case following Russia's invasion of Ukraine for instance, the Commission may propose a revision to the budget. This revision is accepted if both the Council and the Parliament consent to it.

Simplified EU Budgetary Procedure

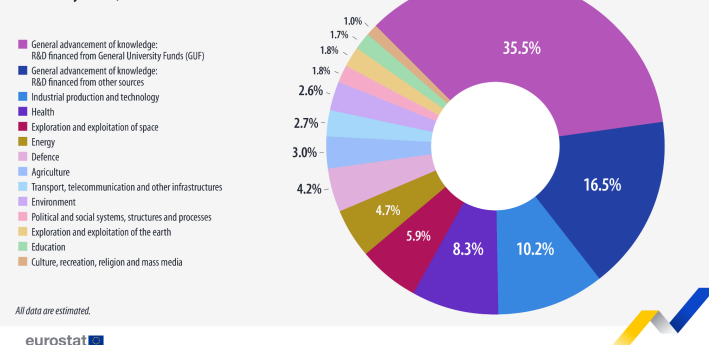
1. European Commission drafts the budget
↓
2. Council of Ministers reviews and adopts a position
↓
3. European Parliament reviews Council's position:
 - If Parliament agrees, the budget is adopted.
 - If Parliament amends, the budget goes to negotiation.↓
4. Negotiation Stage: Delegates from the Council and Parliament meet
 - If they agree on a compromise, the budget is adopted.
 - If no compromise, Parliament and Council may approve the budget with amendments or the process restarts.

The drafting, approval, and implementation of the MFF follows a structured process which reflects the collaborative interplay among the European Parliament, the European Commission, and member states. This process serves as a testament to the Union's commitment to inclusivity and accountability in fiscal governance.

B) Overview of EU Investments in Sustainable and Inclusive Growth

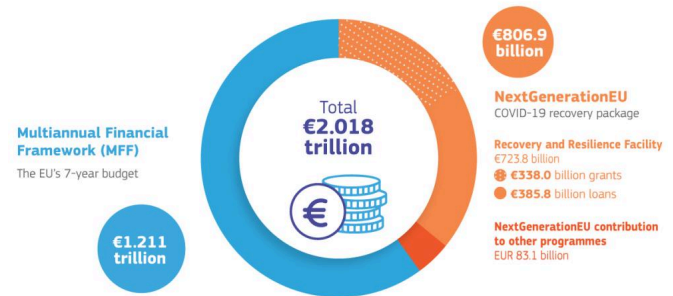
The EU's strategic investments prioritize areas such as renewable energy, digital infrastructure, and social equity, underscoring its commitment to fostering a balanced and forward-looking economic landscape. The allocation of resources under the NextGenerationEU and Green Deal initiatives exemplifies the Union's dedication to aligning fiscal policies with long-term objectives.

Distribution of government budget allocations for R&D by NAB5, 2022



NextGenerationEU

NextGenerationEU (NGEU) is a financial assistance package created to support member states in their economic and social recovery from the Covid-19 pandemic while investing in the future of the EU. Operating from 2021 to 2026, NGEU's €800 billion budget is the largest of any EU fund to date.



NGEU comprises conditional and targeted loans and grants. So far, over 40% of NGEU funds have been targeted for climate action, and over 25% for digitalisation. The package also supports social and cohesion projects.

European Green Deal

With the aim of making Europe the first climate-neutral continent by 2050, the European Green Deal set legally binding climate targets covering all key sectors of the economy. The European Green Deal includes measures such as carbon tariffs, to take effect in 2026, and a circular economy action plan.

Horizon Europe

Horizon Europe is a scientific research initiative which is to raise EU science spending levels by 50% over the years 2021 to 2027. As part of Horizon Europe, the European Innovation Council supports research that may be too risky for private investors, but in which a breakthrough could be used on a commercial scale.

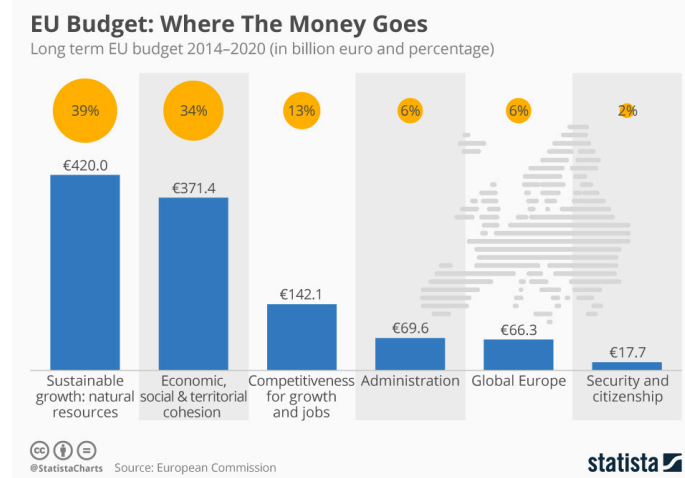
InvestEU

Composed of a Fund, an Advisory Hub and a Portal, the InvestEU programme aims to boost the economy by encouraging private investments to specific areas, including digital technologies, environment, energy, and education.

The EU has allocated €26.2 billion to guarantee the investments of financial partners including the European Investment Bank Group, allowing them to jointly invest at least an additional €372 billion between 2021 and 2027.

C) Sectoral Impact of EU Budget Allocations (2021-2027)

An analysis of budgetary impacts across key sectors highlights the transformative potential of EU investments. Funding for education and vocational training seeks to equip citizens with the skills required for the digital age, while investments in infrastructure aim to enhance connectivity and economic integration. Renewable energy projects, meanwhile, represent a pivotal step towards achieving the EU's climate neutrality targets.



V. Political Groups' Positions



European People's Party (EPP): Advocates for increased investment in economic innovation while ensuring fiscal and social responsibility.



Socialists and Democrats (S&D): Prioritize funding for social equality and sustainable growth.



Renew Europe (RE): Supports strategic investments in technology and climate action, emphasizing transparency in spending.



The Greens/EFA: Focuses on green investments and opposes funding for projects harmful to the environment.



Patriots For Europe: Favors national sovereignty in budgetary decisions and reduced EU-level fiscal intervention.



Europe of Sovereign Nations: Advocates for more border protection in the EU.



European Conservatives and Reformists: Prefers economic growth and prosperity



The Left: Aims to diminish inequalities, division and undevelopment.

VI. Sources

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