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Government of Ireland

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ANNUAL REPORT ON IRELAND'S TRANSACTIONS WITH THE EU IN 2020

October 2022

Prepared by the EU Budget Section
Department of Finance
[finance.gov.ie](https://www.finance.gov.ie)

Executive Summary

The 2020 EU Transactions report is the third annual edition compiled by the Department of Finance. The report aims to provide a 'one-stop-shop' for all Ireland's EU Budget related expenditure and receipts in a coherent manner. The context for the report lies in the fact that Ireland is now a net contributor to the EU budget, a situation that is likely to continue for the foreseeable future.

In 2013, Ireland became a net contributor to the EU budget and since then its contributions have increased significantly. To illustrate the pace of increase, Ireland's annual contributions have, increased by more than 50% from €1.7 billion in 2013 to €2.6 billion in 2020. This reflects the strong growth in the economy, but also the impact of Irish-specific factors such as the effects of globalisation which boost measured GNI in Ireland.

According to the Department of Finance Budgetary Statistics for 2020, Ireland made a net contribution of €0.7 billion to the EU Budget, reflecting receipts of €1.9 billion and payments to the EU of €2.6 billion. On a per capita basis, this is equivalent to €140 per person for 2020. Around 80 per cent of Ireland's receipts from the EU Budget goes to the agricultural sector and, more broadly, towards rural development projects. However, this figure does not include some payments made directly to beneficiaries from the EU (e.g. research funding). These figures are needed in order to provide the overall level of EU receipts and our full net position. In 2020, these direct management receipts amounted to c. €203.6 million.

Finally, it is important to stress that this report compiles Department of Finance and European Commission data focusing solely on contributions made to and monies received from the EU. It is not – nor is it intended to be – a comprehensive analysis of the benefits, both tangible and intangible, or costs associated with Ireland's membership of the EU.

Contents¹

	Page
Executive Summary	i
1 Introduction	5
2 EU Budget Framework, Receipts and Payments	6
2.1 EU Budget Framework	6
2.1.1 Background	6
2.1.2 The EU Multi-annual Financial Framework	6
2.1.3 EU own resources	8
2.2 EU Contributions and Receipts by Member State	11
3 Ireland's EU Contributions and Receipts	14
3.1 Reporting and management of financial transactions with the EU Budget	14
3.2 Contributions to the EU Budget	14
3.3 Receipts from the EU Budget	16
3.3.1 Overview	16
3.3.2 Detailed breakdown of receipts – main areas for Ireland	17
3.4 Net Contribution to the EU Budget	20
3.5 EU Budget 2021 to 2027	21
4 Conclusion	22
Figures	
Figure 1 MFF 2014-2020 ceilings	7
Figure 2 EU expenditure 2000 to 2020	8
Figure 3 EU own resources in 2020 by source	9
Figure 4 EU own resources 2000 to 2020	9
Figure 5 Total national contributions by EU Member States in 2020	12
Figure 6 National contributions by EU Member State	12
Figure 7 Receipts from the EU by Member State	13
Figure 8 Net contributions to the EU by Member State	13
Figure 9 Net contributions per capita to the EU by Member State	14
Figure 10 Irish contributions to the EU budget 2000 to 2020	15
Figure 11 Irish contributions to the EU budget in 2020 by source	15
Figure 12 Irish receipts from the EU budget 2000 to 2020	16
Figure 13 Irish receipts from the EU budget in 2020 by source	17
Figure 14 EAGF receipts in 2020	18
Figure 15 EAFRD receipts in 2020	19
Figure 16 Smart and Inclusive Growth in 2020	19
Figure 17 Ireland's EU receipts and payments 1973 to 2020	20

¹ The data and analysis set out in this document are compiled by Department of Finance staff. Every effort is made to ensure accuracy and completeness. When errors are discovered, corrections and revisions are incorporated into the digital edition available on the Department's website. Any substantive change is detailed in the online version.

Tables

Table 1	Ireland's net receipts from the EU	20
Table 2	Ireland's expected EU budget contributions from 2021 to 2027	21

Annexes

Annex 1	EU expenditure in 2020	23
Annex 2	Total receipts to Ireland from the EU 1973-2020	24
Annex 3	Total payments from Ireland to the EU 1973-2020	25

References**26**

Section 1: Introduction

The annual report provides a single information source providing an overview of Ireland's financial transactions with the EU.

The EU has a substantial budget and the majority of that funding (close to 90 per cent) is provided by its Member States. The contributions of individual Member States are mainly determined by national income levels, as measured by Gross National Income (GNI). In 2013, Ireland became a net contributor to the EU for the first time since joining (in 1973) and will almost certainly remain a net contributor over the course of the current MFF, which covers the period 2021-2027. The funding envelope which this report relates to – the 'Multiannual Financial Framework' (MFF) – ran from 2014-2020, and had an overall spending commitment of €960 billion. The EU annual budget for 2020 was €173 billion.

This report is structured as follows: **Section 2** details how the EU is financed and briefly outlines the areas to which resources are directed. Ireland's role in financing the budget is documented. **Section 3** provides a more granular assessment of Ireland's receipts and payments. **Section 4** contains the report's conclusion.

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Section 2: The EU Budget Framework, Receipts and Payments

2.1: EU Budget Framework

2.1.1 Background

Since 1988, EU budgets have operated under the terms of medium-term spending plans known as Multiannual Financial Frameworks (MFF). The rationale for a multiannual framework is simple: it provides financial certainty beyond the short-term and, accordingly, facilitates planning and implementation. The MFF for which this 2020 report relates to, spanning years 2014 -2020, had total commitments of €960 billion (c. €1.0 trillion).

In terms of process, the MFF is agreed by the Member States and the European Parliament. It sets expenditure ceilings across a wide range of areas on an annual basis. Based on the MFF, the Commission proposes an annual budget, which is subject to the approval of the budgetary authority, made up of the Council and the European Parliament.

The overall management of the budget in terms of allocation of funds lies with the European Commission, with ultimate responsibility falling to the 'college' (the Commissioners). However, national (including regional) governments manage close to 80 per cent of the funding.²

The MFF has several goals but, broadly speaking, these relate to:

- supporting employment and growth;
- helping economic convergence across the regions; and,
- assisting rural areas.

A number of key principles underlie the budget. It is primarily an investment budget and should be financed from within (in balance) using so called 'own resources' and other revenue. Almost all of the budget (98 per cent) is funded from this source (described at section 2.1.3.), dominated in turn by Member States' GNI-based contributions, followed by VAT related income, fines, duties and levies as well as some smaller miscellaneous items.

2.1.2: The EU Multiannual Financial Framework

The EU Multiannual Financial Framework (MFF), which applied in 2020, covered the period 2014-2020 and was agreed in 2013. It enabled the EU to spend up to €960 billion (in 2011 prices) or €1,087 billion in current prices (figure 3). While a very large sum, this was the first time in which spending was reduced in part due to the pressure on Member States' budgets following the economic and financial crisis. For context, the previous MFF (2007-2013) entailed total commitments of €976 billion.³ The MFF is also a balanced budget in the sense that the EU is obliged to ensure that revenues and expenditure are always in balance.

² For more details, see: <https://www.consilium.europa.eu/en/policies/the-eu-budget/long-term-eu-budget-2014-2020/>

³ For details, see: <https://www.consilium.europa.eu/en/policies/the-eu-budget/long-term-eu-budget-2014-2020/> and [https://www.europarl.europa.eu/RegData/bibliotheque/briefing/2011/110244/LDM_BRI\(2011\)110244_REV2_EN.pdf](https://www.europarl.europa.eu/RegData/bibliotheque/briefing/2011/110244/LDM_BRI(2011)110244_REV2_EN.pdf)

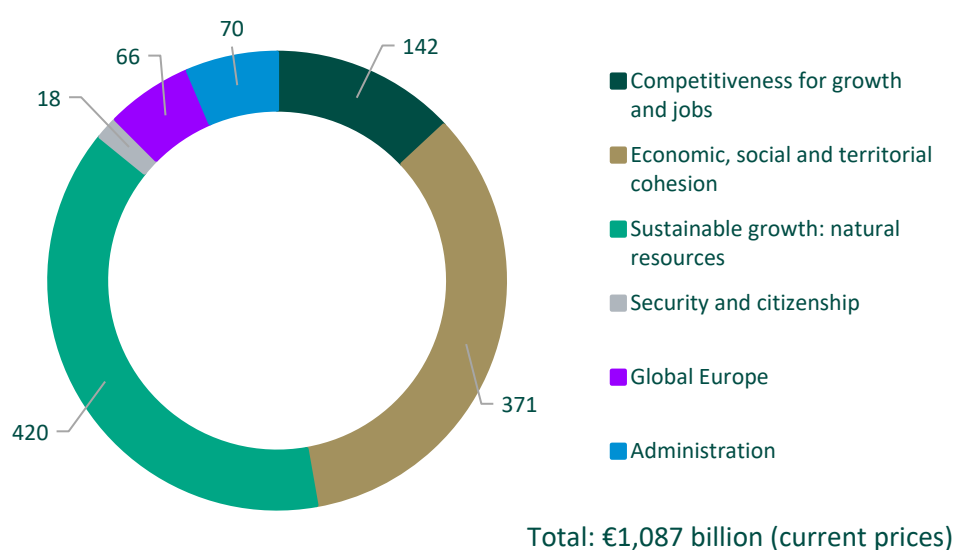
Under the MFF, there are five large funds referred to as 'Structural and Investment Funds'. These are managed in partnership with national and regional authorities and account for 42 per cent of the budget. They include:

- European Regional Development Fund (ERDF) – for regional and urban development
- European Social Fund (ESF) – for social inclusion and good governance
- Cohesion Fund (CF) – to support economic convergence by less developed regions
- European Agricultural Fund for Rural Development (EAFRD) - supporting rural areas and the EU's agri-food and forestry
- European Maritime and Fisheries Fund (EMFF) - supporting fishers to adopt sustainable fishing practices and coastal communities to diversify their economies.

As well as the above, there are a number of other funds managed directly by the EU, typically in the form of grants or contracts. The former refer to projects in relation to EU policies whereas the latter refers to contracts issued for goods or services acquired.

Under certain conditions, and within the overall ceilings of the MFF, unused payments can be carried over from one financial year into the next.

Figure 1: MFF 2014-2020 ceilings, € billions



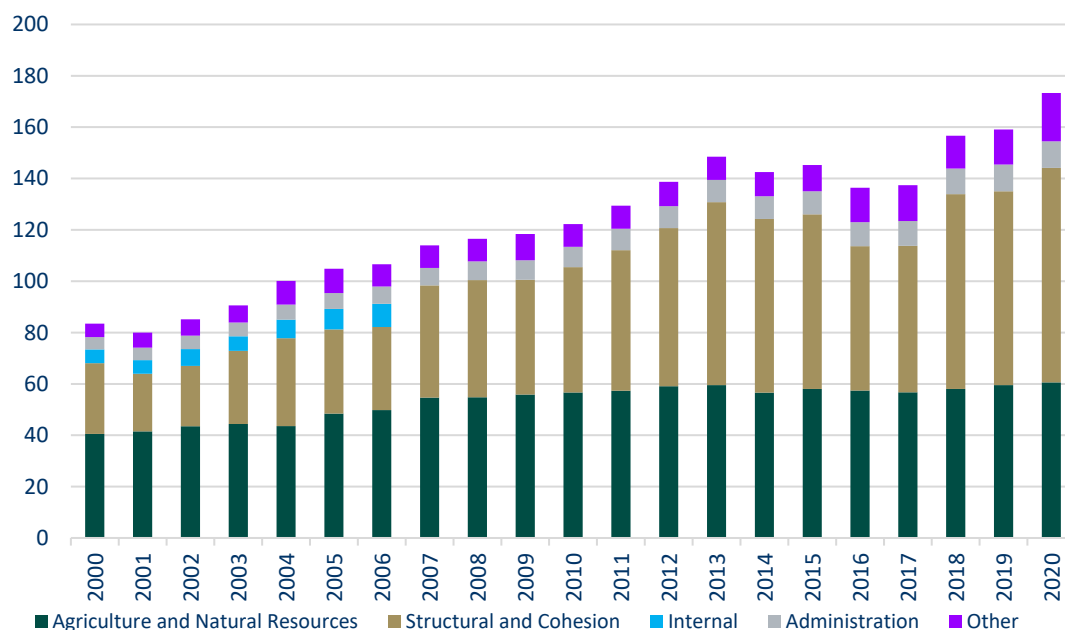
Source: European Commission

In addition to the headings above, funding can also be provided over and above ceilings for aid or solidarity as a result of unforeseen events. The 'Flexibility Instrument' allows for up to €600 million a year to be spent on expenses that cannot be covered by the EU budget without breaching the ceilings. Solidarity instruments include the Emergency Aid Reserve, the EU Solidarity Fund and the European Globalisation Adjustment Fund (EGAF). Ireland has benefitted a number of times from the EGAF, which helps to retrain and reintegrate workers who have been made redundant.

Over a longer period of time, the EU's budget has generally increased, in part reflecting the expansion of the Union (figure 4). In 2020, spending amounted to €173 billion, dominated by agriculture/natural resources-related spending and cohesion/structural supports (see annex 1).⁴

Under the withdrawal agreement between the EU and the UK, the UK continued paying into the EU budget for the remaining years of the 2014-2020 MFF after the Brexit referendum. This resulted in no additional impact on Ireland's contributions or receipts up until the end of 2020.

Figure 2: EU expenditure 2000 to 2020, € billion



Source: European Commission.

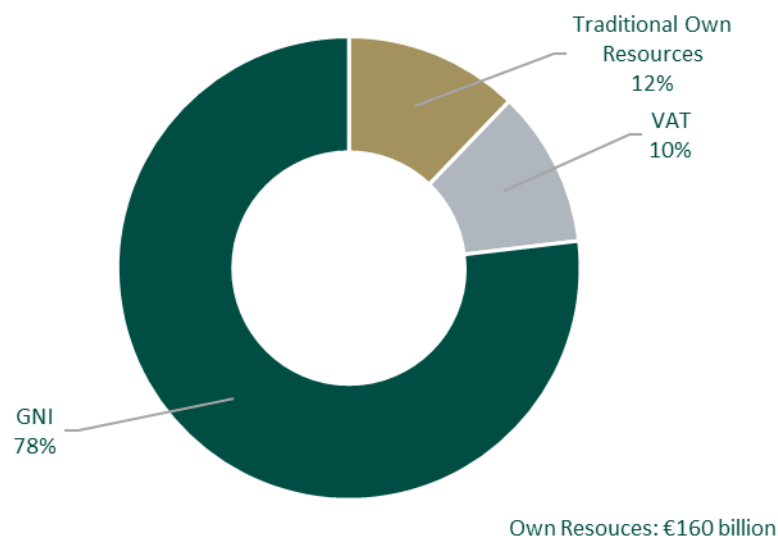
2.1.3: EU own resources

In 2020, the EU budget had own resources of €160 billion (figure 3). This is mainly financed by Member States through GNI-based contributions (based on income levels), VAT payments and duties and levies, referred to as 'traditional own resources' (primarily custom duties). Over time, own resources available to the EU have been on a rising trend. Figure 4 shows that available own resources have increased from €88 billion in 2000 to €160 billion in 2020.⁵ This reflects rising Member State contributions and the enlargement of the EU (from 15 to 28 Member States prior to the departure of the UK). In the event that spending in a year is less than revenue, the surplus can be carried over and used in the following year.

⁴ The sub-headings in the chart are approximations as spending allocations can both change and/or get reclassified between spending rounds.

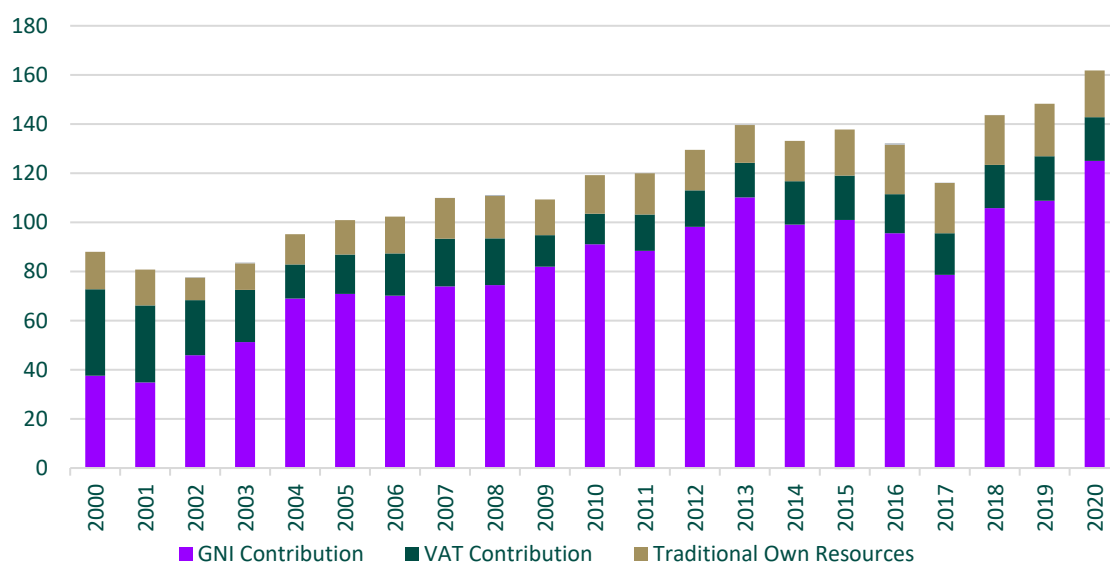
⁵ When an allowance is made for surpluses from previous years and some other sources of income, overall revenue increases to €174 billion in 2020.

Figure 3: EU own resources in 2020 by source



Source: European Commission.

Figure 4: EU own resources 2000 to 2020, € billion



Source: European Commission.

GNI based own resource

Contributions from the individual Member States account for the bulk of EU own resources, and are based on a Member State's level of income as defined by Gross National Income. This contribution aims to bridge the gap between EU spending and monies earned from other sources, namely VAT, duties and fines.⁶

In 2020, GNI-related income accounted for 78 per cent of all resources (€125 billion). In the 2014-2020 MFF, the maximum allocation to the EU could not exceed 1.2 per cent of the EU total GNI. This percentage is referred to as the own resources ceiling and it is based on the gap between EU expenditure and receipts from resources other than GNI.

The GNI contributions are based on projections, with Member States required to submit data on an annual basis relating to GNI, VAT and customs duties (see below). GNI contributions are fixed for the purposes of the MFF. Differences in GNI outturns relative to forecasts can result in corrections or adjustments to a Member State's contribution over time, although revisions after four years are not permitted.

VAT based own resource

Under the VAT-based contribution, Member States are required to apply a uniform call rate (0.3 per cent) to the national VAT base. The Commission is tasked with ensuring that each country contributes the correct amount under this approach.⁷ Similar to GNI, national contributions are capped to avoid an undue burden falling on specific countries. To ensure fairness, the VAT bases for all Member States are first harmonised, then capped at 50 per cent of the GNI base, before the levy is applied.

In 2020, VAT-based contributions were the source of 11 per cent (€18 billion) of EU own resources. The share of income from VAT has declined as a primary source of revenue as illustrated in Figure 4.

Duties and levies

Traditional own resources (TOR) comprise customs duties on imports from outside the EU, as well as levies on sugar production within the EU. Customs duties are collected by the Member States on behalf of the EU, although in the 2014-2020 MFF, 20 per cent was retained as collection costs. These duties are levied at rates based on the common customs tariff. As per the European Commission data in 2020, €25 billion was collected by Member States, €20 billion of which was received by the EU, with the remaining €5 billion retained by the Member States as collection costs. This made up 15 per cent of own resources.

⁶ Gross National Income (GNI) is the sum of all incomes of residents in a given period. It can be derived from GDP less income payable by residents to non-residents and adding income receivable from the rest of the world.

⁷ The Directorate-General for Budget is the department with responsibility for ensuring that each Member State contributes the correct amount of VAT to the EU budget. For more details see:

https://ec.europa.eu/info/strategy/eu-budget/revenue/own-resources/value-added-tax_en.

Correction mechanisms

In light of the sums involved in the EU budget and its complexity, there are a number of corrective mechanisms in place in the event that a Member State has paid too much to the EU budget. While payments are determined according to set formulae and objective criteria, a number of Member States have, on occasion, argued that these were excessive. Accordingly, there are three main adjustments – the UK rebate, adjusted GNI-based contributions and a reduced VAT call rate.

The “UK rebate” is a reimbursement to the UK of approximately 66% of the gap between contributions to, and receipts from the EU budget. In 2020 this amounted to €5.9 billion, the cost of which was apportioned across the other Member States.⁸ However, Germany, the Netherlands, Austria and Sweden acquired a “rebate on the rebate” by limiting their normal share of this to 25%. Ireland contributed €183.2 million under the UK rebate in 2020.

In relation to GNI, under the 2014-2020 MFF, lump sum reductions were applied for the Netherlands (€727.1 million), Sweden (€172.7 million) and Denmark (€124.6 million) whereby Ireland contributed €18 million to the rebates of these Member States in 2020. Austria also benefited from a reduction in its GNI contribution up until 2016.⁹

Similarly, Germany, the Netherlands and Sweden paid a reduced VAT rate of 0.15 per cent under the 2014-2020 MFF, relative to the standard rate of 0.3 per cent. Notwithstanding these adjustments, these Member States are typically the largest net contributors to the EU budget as set out below.

In addition, Ireland, Denmark and the UK pay a lower contribution to the EU in the area of ‘justice and home affairs’ (JHA) reflecting their non-participation in these policies. This lower contribution is due to non-participation in certain JHA affairs (for example Frontex), and not a general corrective for having paid a disproportionate amount to the EU budget.

2.2: EU Contributions and Receipts by Member State

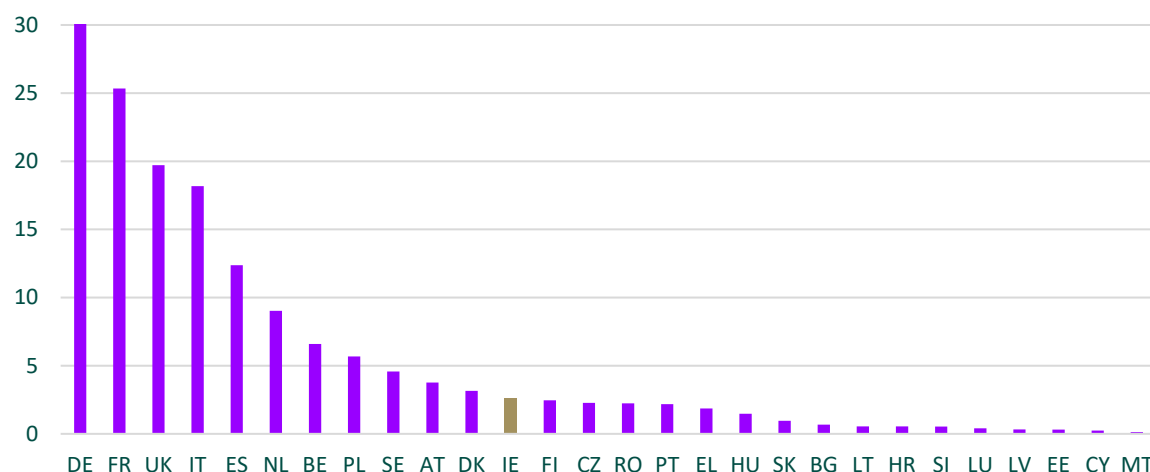
Figure 5 shows the total contribution by Member State in 2020; the data adjusted for population size are presented in figure 6. On a headline basis, it is clear that the larger Member States contribute the bulk of the EU budget, with the largest five countries (Germany, France, the UK, Italy and Spain) accounting for 67 per cent of the budget in 2020. Ireland’s contribution of €2.6 billion in 2020 was the 12th largest.¹⁰ On a per capita basis, however, in 2020 Ireland was the fourth largest gross contributor behind Luxembourg, Belgium and Denmark: the average Irish person contributed €527 to the EU budget in 2020, just under double the median figure of €258.

⁸ The United Kingdom formally departed from the European Union on 31 January 2020 but remained in transition until 31 December 2020, which meant that its participation in the EU Budget continued throughout 2020, as did its rebate.

⁹ For Austria these amounted to €30 million in 2014, €20 million in 2015 and €10 million in 2016.

¹⁰ The EU receipts and payments data differs from the figures reported by the Department of Finance due to accounting differences.

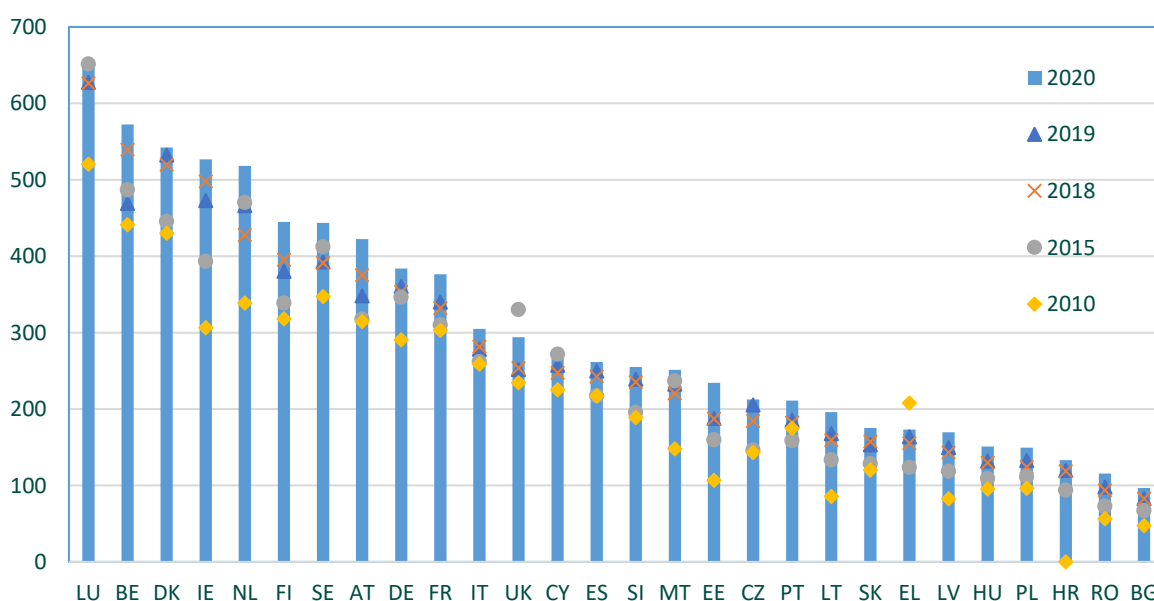
Figure 5: total gross contribution by EU Member State in 2020, € billion



Source: European Commission

Figure 6: national gross contributions by EU Member State in 2020, € per capita

EU Contributions in 2020 per capita, €



Source: European Commission

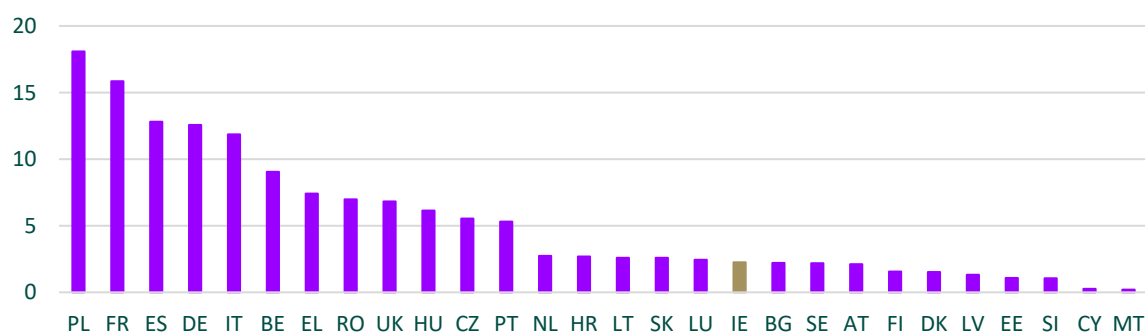
In terms of receipts, six countries – Poland, France, Spain, Germany, Italy and Belgium account for half of all receipts from the EU (figure 7). Both Belgium and Luxembourg receive disproportionately high receipts given their respective income levels. This reflects the presence of EU institutions/headquarters in these countries.

The largest gross recipients in 2020 were Poland and France (Figure 7) with receipts of €18 billion and €16 billion, respectively and the largest net recipients were Poland and Greece (Figure 8) with receipts of €12 billion and €6 billion, respectively.

The largest net contributors with total contributions of €32 billion (figure 8) to the EU in 2020 were Germany and the UK with a combined contribution. On a per capita basis, however, the largest net

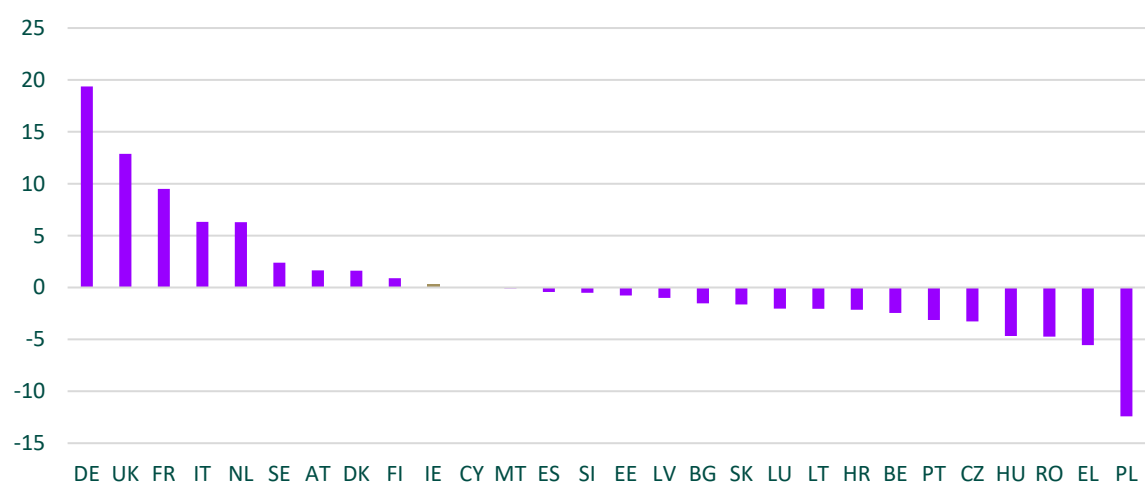
contributions comes from the Netherlands, with a figure of €361 per capita in 2020 (figure 9).¹¹ Ireland also stands out, having moved from a large net recipient to a net contributor in recent years. Based on the Commission figures Ireland was the tenth largest net contributor per capita in 2020, just behind Italy, France and Finland. The median net contribution per capita was -€217 with Ireland at €73 in 2020.

Figure 7: receipts from the EU by Member State in 2020, € billion



Source: European Commission

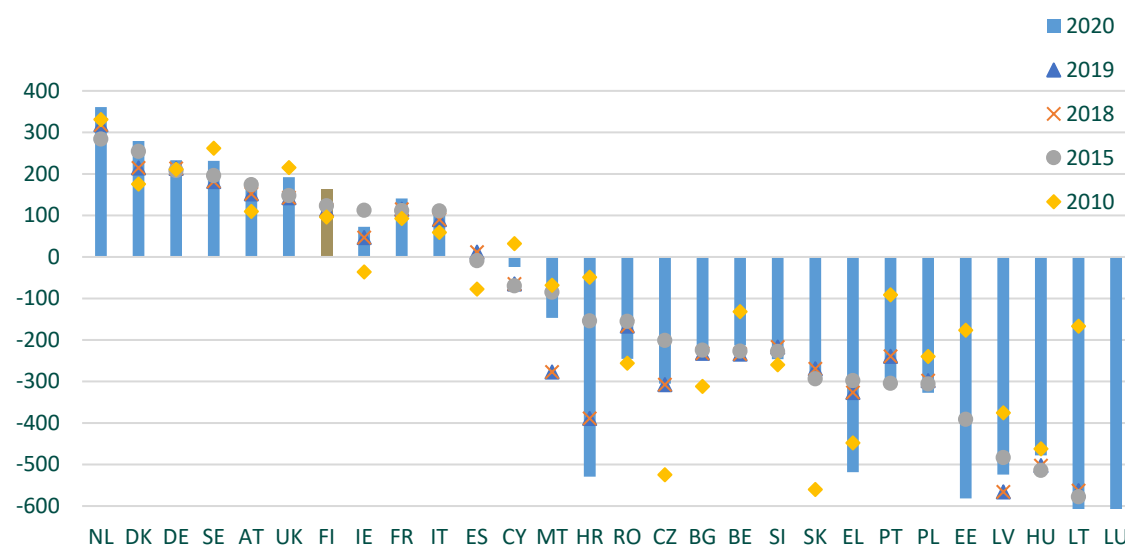
Figure 8: net contribution to the EU by Member State in 2020, € billion



Source: European Commission

¹¹ The axis is truncated due to Luxembourg where the net contribution was -€3,254 per person. Figures are in nominal terms and are not adjusted on a purchasing power parity basis.

Figure 9: net contributions in 2020 per capita to the EU by Member State, €



Source: European Commission. Note: axis is truncated with Luxembourg figure at -€3,254 in 2020.

Section 3: Ireland's EU Contributions and Receipts

3.1: Reporting and management of financial transactions with the EU budget

Ireland's financial transactions with the EU are managed by the Department of Finance. Financial contributions are reported on a monthly basis in the 'Fiscal Monitor' and annually in the 'Finance Accounts' with the latter providing a more detailed breakdown of transactions. Data is typically reported on a cash or transactions basis, as opposed to an accruals type accounting system. The European Commission also documents EU transactions but uses the latter approach – attributing payments/receipts to particular events rather than when payments are made. This can lead to some discrepancies between Irish and EU reported figures. Yearly data is also published in both the Department of Finance's Budget book and the Annual Budgetary Statistics report.

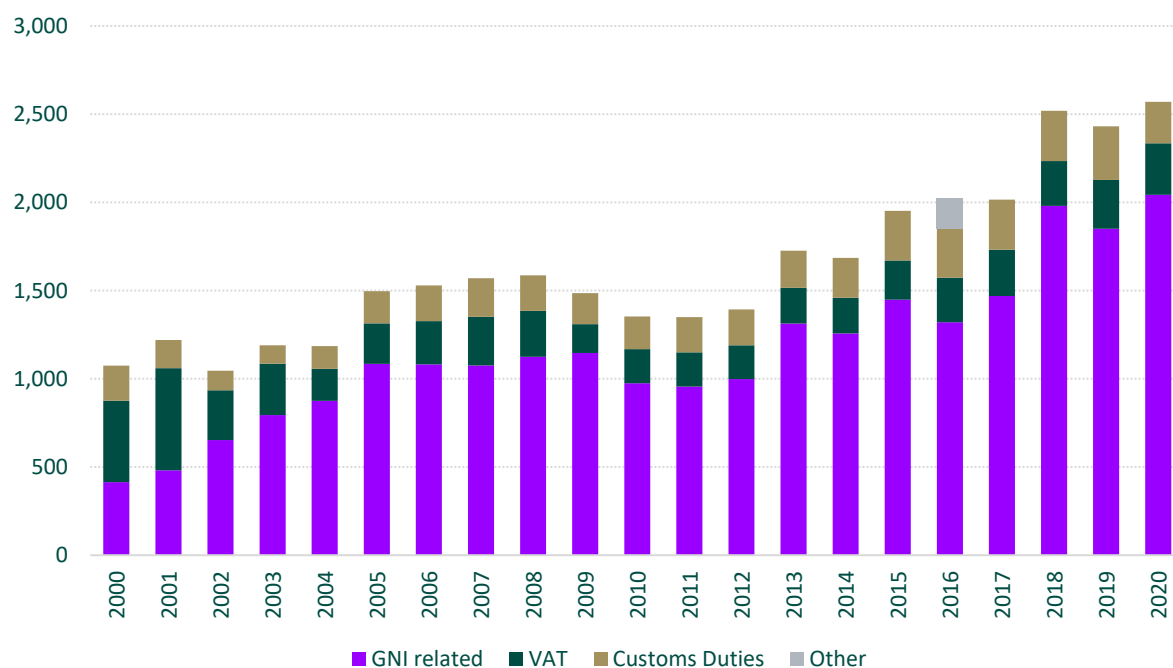
3.2: Contributions to the EU Budget

In 2020, total contributions to the EU from Ireland amounted to €2.6 billion (figure 10).¹² This was a year on year increase of 5.7 per cent.

At 76 per cent (€2 billion) in 2020, Ireland's GNI-based contribution was below the EU average ratio (89 per cent).

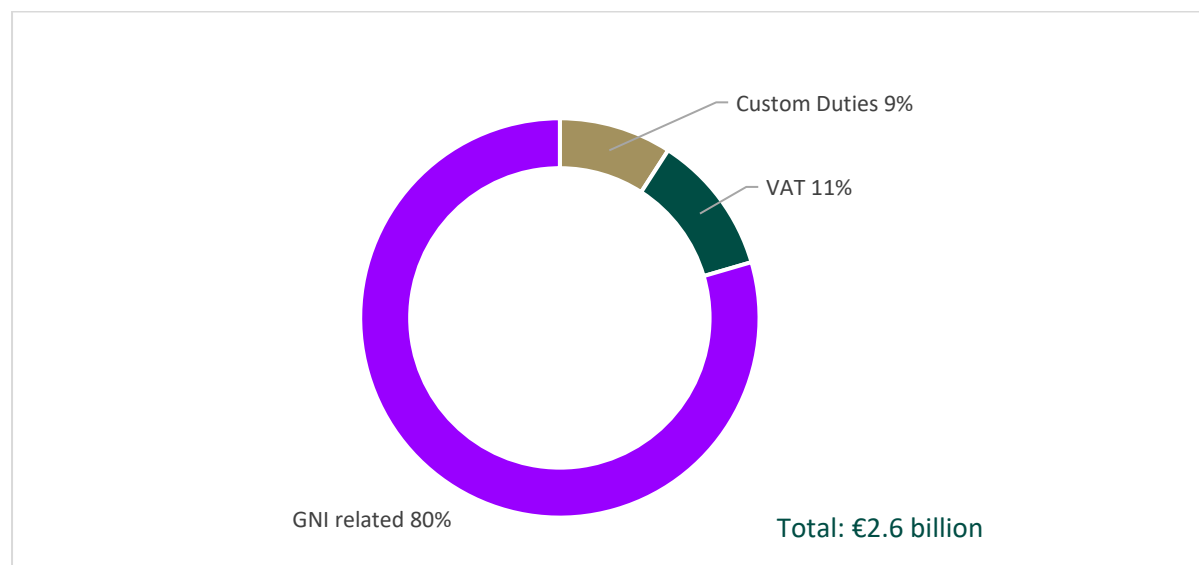
¹² The "Other" category in figure 10 refers to a payment made by Ireland in 2016 reflecting changes in the financing of the EU budget (for 2014 and 2015).

Figure 10: Irish contributions to the EU budget 2000 to 2020, € millions



Source: Department of Finance, Finance Accounts.

Figure 11: Irish contributions to the EU budget in 2020 by source, percent share



Source: Department of Finance, Finance Accounts.

3.3: Receipts from the EU budget

3.3.1: Overview

The Department documents receipts from the EU in its 'Annual Budgetary Statistics' report.¹³ In 2020, total receipts from the EU amounted to €2.1 billion.¹⁴ Receipts have been on a steady downward trend since the mid-2000s (figure 12). The vast majority of funding goes to the broad agricultural (including fisheries) sector and for Cohesion policy i.e. European Social Fund (ESF), European Regional Development Fund (ERDF).

Receipts can be broken down into five main areas, the biggest of which relates to agriculture – specifically, agricultural guarantee and rural development funds.¹⁵ As well as the amount of funding, close to 90 per cent is administered by government departments, with the remainder going directly to public and EU bodies and the private sector.¹⁶

This breakdown is plotted in figure 13 with the EAGF and EAFRD accounting for 83 per cent of all income. In the later part of the 1990s and early 2000s, Ireland also received sizable receipts under the Cohesion Fund – included in the category 'other' in the figure below. However, receipts from this source have declined markedly as the economy has grown and have been zero for a number of years. Cohesion Policy refers to investments made through programmes such as the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Figure 12: Irish receipts from the EU budget 2000 to 2020, € millions¹⁷



Source: Department of Finance, Finance Accounts.

¹³ For details, see: <https://www.gov.ie/en/collection/33c074-budgetary-statistics/>

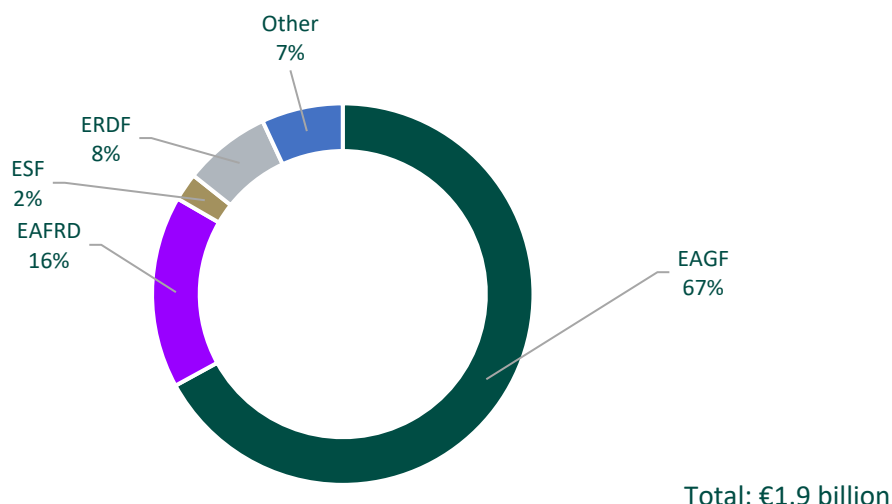
¹⁴ The figures published by the Department of Finance differ from the European Commission's data. This reflects differences in accounting and time periods.

¹⁵ Prior to 2007, these receipts were grouped under FEOGA funds.

¹⁶ Payments made directly to beneficiaries include the 2020 direct management receipts of c. €203.6m.

¹⁷ Other relates to programmes such as Erasmus, fisheries and customs related funding.

Figure 13: Irish receipts from the EU budget in 2020 by source, percent share



Source: Department of Finance, Finance Accounts that exclude the direct management receipts of c. €203.6m.

Funds from the EU budget are managed under three broad models. These are:

- Shared Management* – these are funds managed by Member States in partnership with the Commission. Around 80 per cent of the EU budget comes under this channel.¹⁸ Monies are paid out to relevant departments on the instruction of the European Commission. The managing authority of each fund is also required to produce an Annual Implementation Report (AIR) for the EU.
- Direct Management* – funds managed directly by the Commission, along with other EU bodies and agencies.
- Indirect Management* – funds managed indirectly by other international organisations, decentralised agencies, special EU bodies or joint undertakings.

3.3.2: Detailed breakdown of receipts – main areas for Ireland

Ireland's receipts are dominated by agricultural-related areas, under the EAGF and EAFRD. Both of these are financed under the EU's Heading 2, which is split into Pillar 1 of EAGF and Pillar 2 of EAFRD, among other elements and are administered domestically by the Department of Agriculture, Food and the Marine (DAFM). DAFM is required to produce an AIR for the EU on these funds, and also prepares an annual report including financial statements for the Oireachtas.^{19, 20}

As noted above, €1.3 billion was received under the EAGF in 2020, with Ireland's receipts in this area the second highest on a per capita basis (figure 14) reflecting the importance of the agricultural sector.

¹⁸ See https://ec.europa.eu/info/strategy/eu-budget/how-it-works/annual-lifecycle/implementation/eu-budget-management-types_en

¹⁹ The Department also prepares an annual review of the Rural Development Programme that breaks down the allocation versus spend on each measure.

²⁰ A composite or consolidated (FEOGA) account and report is prepared by the Department which encompasses three separate funds - the European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). This is audited by the C&AG and presented to the Oireachtas.

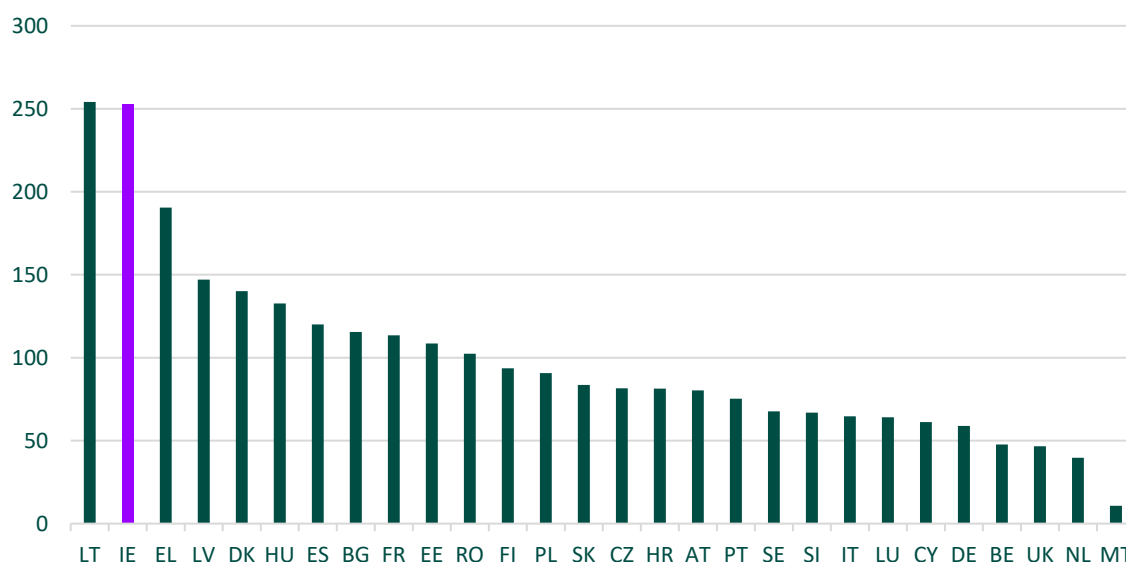
The EAGF, therefore, accounts for the vast majority of Ireland's receipts from the EU. This provides for direct payments to farmers (under the 'Common Agricultural Policy') as well as other agricultural related supports including:

- refunds for exporting farm produce to non-EU countries;
- intervention measures to regulate agricultural markets;
- informational and promotional measures for farm produce; and
- programmes promoting the consumption of fruit in schools.²¹

As stated above, this fund is managed by the DAFM with a year-end of 15 October. In general, payments from the EU are not received until early in the following year. As a result, the DAFM is usually owed money by the EU at year-end which may necessitate short-term borrowing.²²

Irish receipts under the EAFRD programme are also high on a comparative basis with other EU Member States. Ireland is ranked 5th on a per capita basis in 2020 (figure 15) with overall receipts of €334 million. The EAFRD is one of the larger European Structural and Investment funds. It is also run under a shared management model with payments again made initially by the DAFM and then recouped from the EU. Other larger funds under the auspices of DAFM include the European Maritime and Fisheries Fund (EMFF). This is also reported on annually in a consolidated (FEOGA) statement.

Figure 14: EAGF receipts in 2020, € per capita

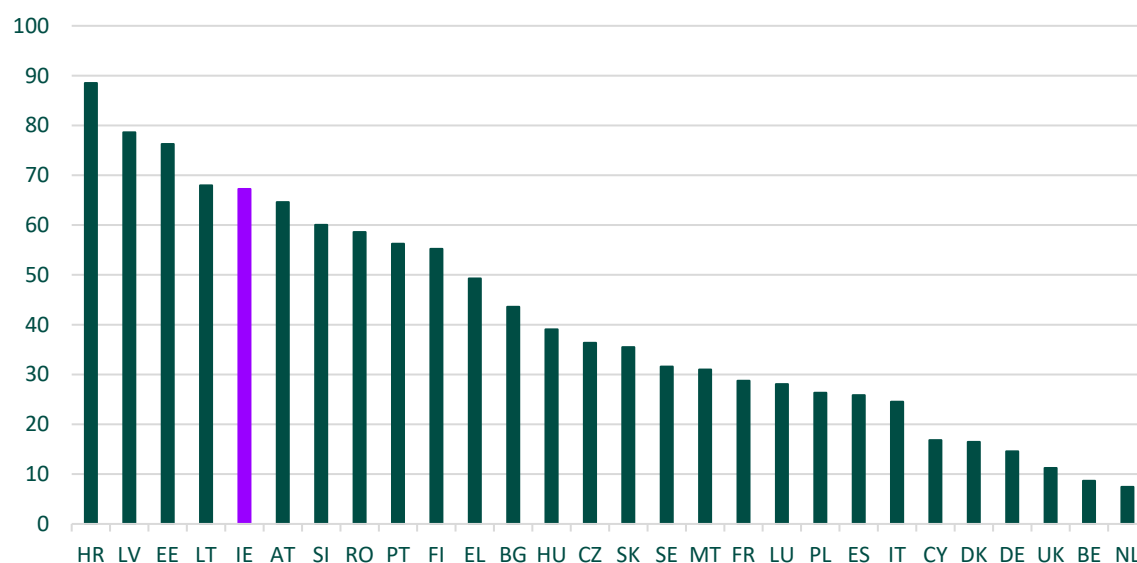


Source: EU Commission

²¹ Expenditure on the school milk scheme and the promotion of fruit consumption in schools is part funded by the Exchequer.

²² In 2016, 2017, 2018, 2019 and 2020 for example, the Department had to borrow €770 million, €740 million, €725 million, €750 million and €670 million respectively.

Figure 15: EAFRD receipts in 2020, € per capita

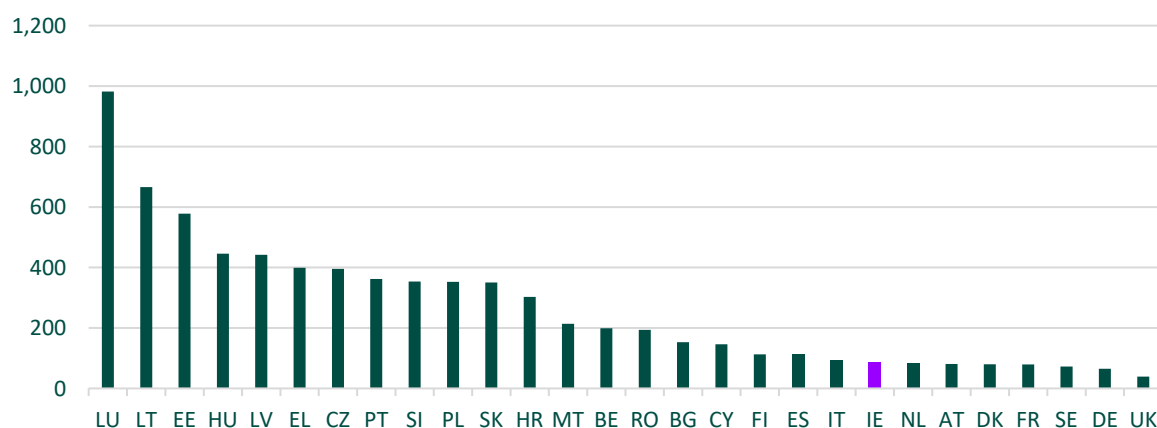


Source: EU Commission

After agriculture, the other key areas of EU funding for Ireland come under the broad categories of 'Smart and Inclusive Growth'. Funding under this heading amounted to €438 million in 2020. The main areas covered here include 'competitiveness for growth and jobs'; Horizon 2020 and Erasmus+, and 'economic, social and territorial cohesion' which includes Investment for growth and jobs and a Youth Employment Initiative.

Receipts from these funds, while quite significant, are relatively modest in per capita terms relative to EU peers and also relative to agricultural-related funding (figure 16).

Figure 16: Smart and Inclusive Growth in 2020, € per capita



Source: EU Commission

3.4: Net Contribution to the EU Budget

Table 1 below shows that factoring in receipts from, and payments to, the EU budget, Ireland made a net contribution of €0.5 billion in 2020. This data (cash as opposed to accrual based) differs from the European Commission's figures due to accounting and time period differences, although the trend between the series is similar.²³

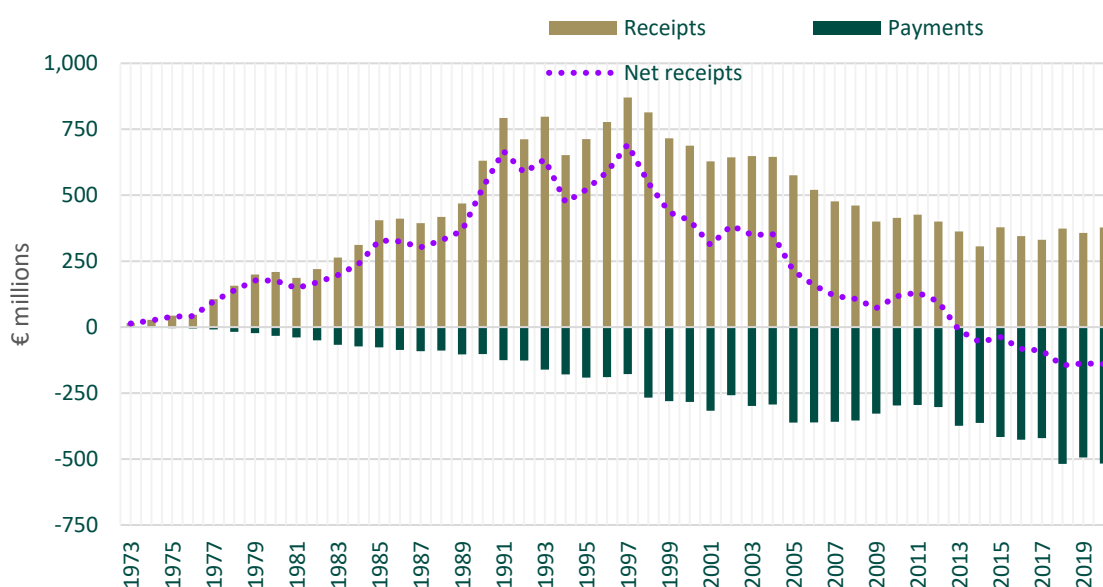
In 2020, the net per capita payment to the EU amounted to approximately €101, compared to peak net receipts of approximately €700 per person in the mid-1990s (1997). This was the eight consecutive year in which Ireland was a net contributor to the EU. This trend is illustrated in figure 17, with an extended time series back to 1973 (when Ireland joined the then EEC). A detailed summary of receipts and payments is also provided in annexes 2 and 3.

Table 1: Ireland's net receipts from the EU, selected years

	1985	1990	1995	2000	2005	2010	2015	2018	2019	2020
Receipts, € billons	1.4	2.2	2.6	2.6	2.4	1.9	1.9	2.0	1.9	2.1
Payments, € billons	0.3	0.4	0.7	1.1	1.5	1.4	2.0	2.5	2.4	2.6
Net receipts, € billons	1.2	1.9	1.9	1.5	0.9	0.5	-0.1	-0.5	-0.5	-0.5
Percentage of GNI	4.8	5.3	3.7	1.6	0.6	0.4	-0.1	-0.3	-0.3	-0.2
Per capita, €	328	528	521	404	213	117	-21	-104	-100	-101

Source: Department of Finance calculations.

Figure 17: Ireland's EU receipts and payments 1973 to 2020, € per capita



Source: Department of Finance

²³ European Commission figures show that Ireland received €2.26 billion in 2020 with a total contribution of €2.61 billion resulting in a net contribution of €0.35 billion

3.5: EU budget: Multiannual Financial Framework (MFF) 2021 to 2027

Ireland's contributions to the EU Budget are expected to continue increasing during the current MFF, which spans the years 2021-2027. This reflects anticipated economic performance and also the UK's departure from the EU. The indicative estimates in the table below for Ireland are based on the European Commission's proposals for the 2021-2027 MFF.

Table 2: Ireland's expected EU budget contributions from 2021 to 2027, € billions

	2021*	2022	2023	2024	2025	2026	2027
Total	3.5	3.7	4.0	4.1	4.3	4.4	4.5

Source: Department of Finance estimates.

*Actual contribution in 2021

Based on the July 2020 agreement, EU leaders agreed to a new long-term budget for the EU with a total package of €1.824 trillion covering the period 2021 to 2027 focusing on investment in digital and green technologies. This includes the MFF at €1,074 billion and a new €750 billion (2018 prices) recovery fund referred to as 'Next Generation EU' (NGEU). The latter is designed to tackle the COVID-19 pandemic and will comprise of €390 billion in the form of grants and €360 billion in loans. The Recovery and Resilience Facility, which is the centrepiece of the NGEU with a total fund of €672.5 billion (2018 prices), will be directed towards Member States most affected by the pandemic.

A new €5 billion Brexit Adjustment Reserve was also created to support those Member States most impacted by the UK's exit from the EU.

In terms of financing, the total amount of own resources allocated to cover EU payments will not exceed 1.4 per cent of EU GNI annually.²⁴ Ireland's national contribution is now also based on an amount of non-recycled plastic packaging waste, which was introduced as a new revenue source to the 2021-2027 Multiannual Financial Framework by the Own Resources Decision (ORD) 2020, which entered into force on 01 June 2021.

The Commission proposal for a Council Decision amending the ORD 2020/2053 adopted on 22 December 2021 had proposed three new own resources across the board for all Member States to the EU budget.

These additional new own resources proposed are based on:

(i) the EU Emissions Trading Scheme for greenhouse gas emission allowances; (ii) the Carbon Border Adjustment Mechanism; and (iii) inclusion of a national contribution to the EU budget based on the share of residual profits of multinational enterprises as reallocated to Member States pursuant to the Council Directive on implementation of the global agreement on re-allocation of taxing rights these will be subject to negotiations and approval at EU and national levels.

²⁴ The ratio should not exceed 1.46 per cent of GNI in respect of all EU commitments. GNI based corrections will also remain in place for Denmark, Germany the Netherlands, Austria and Sweden. For details see: <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>.

Section 4: Conclusion

This report has provided an overview of financial transactions between Ireland and the EU up to end-2020. It is clear that receipts from, and payments to, the EU are significant and wide ranging. They are particularly important for rural communities and the broad agricultural sector, where receipts are heavily concentrated.

An important turning point was reached in 2013; up until then Ireland had been a net recipient from the EU while, since then, Ireland has been a net contributor. Net payments to the EU are on an upward trend and, on a per capita basis, Ireland's gross contribution was the fourth highest of all Member States in 2020. This reflects the strong growth in the economy, but also the impact of Irish-specific factors such as the effects of globalisation which boost measured GNI in Ireland. This purely monetary approach does not capture broader benefits arising from EU membership, an analysis of which is beyond the scope of this report.

Annex 1: EU Expenditure in 2020

Total expenditure by the EU in 2020 was €173 billion, of which €147 billion was directly ascribed to the 28 Member States. Expenditure by the main categories is outlined in the table below with the majority of spending accounted for by the following areas:

- competitiveness for growth and jobs;
- economic, social and territorial cohesion; and
- sustainable growth: natural resources.

Table A1: Breakdown of EU expenditure, 2020, EU28 and total

	€ billion	% of Total
1a. Competitiveness for growth and jobs	18.6	11%
1b. Economic, social and territorial cohesion	55.5	32%
2. Sustainable growth: natural resources	58.8	34%
3. Security and Citizenship	4.9	3%
4. Global Europe	-	< 0.1%
5. Administration	8.5	5%
6. Compensations	-	< 0.1%
8. Negative Reserve	-	< 0.1%
9. Special Instruments	0.1	< 0.1%
TOTAL (EU28)	147.3	85%
Other (incl. earmarked, other and non-EU)	26.0	15%
TOTAL EXPENDITURE	173.3	100%

Source: European Commission.

The 'Competitiveness for growth and jobs' category is aimed at strengthening competitiveness and stimulating investment. Programmes financed under this heading include Horizon 2020, which directly funds research and innovation; and Erasmus+, which aims to support education, training, youth and sport through funding opportunities to gain experience abroad.

The 'Economic, social and territorial cohesion' category is comprised of two parts, with programmes in this category aiming to reduce the economic and social disparities that exist between regions and Member States. This includes regional and urban policy implemented mainly through the 'European Regional Development Fund' (ERDF) and the 'Cohesion Fund' and accounts for approximately 80 per cent. The remaining 20 per cent is directed to employment and social affairs policy, which is mainly financed through the 'European Social Fund' (ESF).

The 'Sustainable growth: natural resources' category includes the 'Common Agricultural Policy' under which two pillars are supported. Pillar 1 finances direct payments through the 'European Agricultural Guarantee Fund' and other market support measures. Pillar 2 finances the 'European Agricultural Fund for Rural Development', which consists of other rural development support. Other programmes covered under this heading include the 'European Maritime and Fisheries Fund and the 'LIFE programme'.

Annex 2: Total receipts to Ireland from the EU: 1973-2020

Table A2: Ireland's receipts from the EU, € millions

Year	Agriculture	ESF	ERDF	Cohesion	Other	Total
1973	47	-	-	-	0	47
1974	81	5	-	-	0	86
1975	131	5	2	-	1	139
1976	133	6	11	-	2	152
1977	321	10	11	-	5	347
1978	477	25	14	-	6	521
1979	527	37	32	-	76	672
1980	524	59	59	-	69	712
1981	440	58	69	-	77	644
1982	513	93	84	-	75	765
1983	642	118	74	-	91	924
1984	881	107	83	-	30	1,100
1985	1,133	179	97	-	24	1,433
1986	1,182	162	98	-	15	1,456
1987	1,025	246	111	-	15	1,397
1988	1,146	161	165	-	3	1,475
1989	1,321	176	143	-	5	1,645
1990	1,753	163	286	-	9	2,211
1991	1,876	471	434	-	14	2,795
1992	1,601	352	565	-	14	2,532
1993	1,787	396	590	52	25	2,850
1994	1,657	352	223	87	20	2,338
1995	1,642	325	455	127	18	2,567
1996	1,924	321	377	176	22	2,820
1997	2,140	344	452	217	37	3,190
1998	1,854	398	597	143	24	3,015
1999	1,829	266	265	290	29	2,679
2000	1,716	221	513	152	5	2,607
2001	1,605	135	360	297	21	2,418
2002	1,721	110	438	206	45	2,520
2003	1,962	111	294	173	42	2,581
2004	1,892	208	445	26	40	2,611
2005	1,839	211	251	16	62	2,379
2006	1,764	161	192	40	45	2,202
2007	1,812	136	106	0	32	2,086
2008	1,814	80	129	0	42	2,066
2009	1,649	43	60	23	38	1,813
2010	1,686	52	71	0	77	1,885
2011	1,646	112	50	9	133	1,950
2012	1,601	46	93	2	96	1,838
2013	1,486	5	94	10	77	1,673
2014	1,220	24	150	0	29	1,423
2015	1,580	81	63	4	46	1,774
2016	1,483	20	73	0	59	1,635
2017	1,483	20	10	0	74	1,586
2018	1,523	117	93	0	66	1,799
2019	1,493	150	25	0	80	1,747
2020	1,564	44	139	0	130	1,877

Source: Department of Finance. Note: numbers may not sum due to rounding.

Annex 3: Total payments from Ireland to the EU: 1973-2020

Table A3: Ireland's payments to the EU, € millions

	Customs Duties	VAT payments	GNI payments	Other	Total
1973	-	-	-	6	6
1974	-	-	-	7	7
1975	-	-	-	12	12
1976	-	-	-	17	17
1977	-	-	-	28	28
1978	-	-	-	59	59
1979	-	-	-	77	77
1980	-	-	-	113	113
1981	-	-	-	134	134
1982	-	-	-	174	174
1983	-	-	-	235	235
1984	-	-	-	257	257
1985	-	-	-	271	271
1986	-	-	-	305	305
1987	-	-	-	324	324
1988	-	-	-	315	315
1989	-	-	-	363	363
1990	-	-	-	359	359
1991	-	-	-	442	442
1992	-	-	-	449	449
1993	-	-	-	576	576
1994	-	-	-	642	642
1995	-	-	-	689	689
1996	-	-	-	687	687
1997	-	-	-	652	652
1998	-	-	-	989	989
1999	175	455	430	-	1,051
2000	199	462	414	-	1,075
2001	160	578	482	-	1,220
2002	111	282	653	-	1,011
2003	105	291	795	-	1,190
2004	128	182	875	-	1,186
2005	182	230	1,085	-	1,497
2006	202	245	1,082	-	1,530
2007	218	276	1,076	-	1,570
2008	202	260	1,125	-	1,587
2009	177	163	1,147	-	1,486
2010	185	194	975	-	1,352
2011	200	194	956	-	1,350
2012	203	191	999	-	1,393
2013	211	202	1,313	-	1,726
2014	226	203	1,257	-	1,685
2015	281	223	1,449	-	1,952
2016	280	252	1,321	171 ²⁵	2,023

²⁵ As a result of the Own Resource Decision (ORD) being ratified by all Member States, a retrospective payment request was issued for the years 2014 and 2015. The ORD payment of €170.5 million was made in December 2016.

2017	285	262	1,470	-	2,016
2018	285	254	1,980	-	2,519
2019	304	277	1,851	-	2,432
2020	235	292	2,043	-	2,569

Source: Department of Finance. Note: numbers may not sum due to rounding. GNI formerly GNP.

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