

PERSPECTIVES OF THE FINANCIAL GOVERNANCE OF THE EUROPEAN UNION – SUSTAINABILITY OF THE EXPENDITURE FROM THE EUROPEAN BUDGET*

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Rezumat

Funcționarea instituțiilor comunitare este susținută de bugetul comunitar în vederea asigurării obiectivelor politicilor comunitare stabilite la nivel de șefi de state și guverne ale statelor membre ale UE. Scopul acestor politici se concentrează pe asigurarea procesului de convergență economică, socială și teritorială la nivelul ansamblului celor 27 de state.

Statele potențial candidate la statutul de state membre ale UE beneficiază, de asemenea, de instrumentele suport oferite prin bugetul comunitar pentru pregătirea pentru aderare, conform criteriilor de la Copenhaga.

În acest context, proiectul de cercetare își propune:

** This paper is a synthesis of the research project “Perspectives of the financial governance of the European Union – sustainability of the expenditure from the European budget”, developed in 2011 by the Centre for Financial and Monetary Research “Victor Slăvescu”, part of the National Institute of Economic Research “Costin C. Kirițescu” of the Romanian Academy. The research project belongs to the Fundamental Program of the Romanian Academy: **Economic and Social Governance in the European Union.***

- să evalueze corelația și sinergia dintre guvernarea economică a UE și bugetul comunitar;

- să realizeze o evaluare științifică a eficacității și eficienței cu care sunt utilizate resursele financiare ale bugetului comunitar, în contextul unui bilanț echilibrat și în raport cu obiectivele politicilor comunitare;

- elaborarea unor considerente privind sustenabilitatea de perspectivă a cheltuielilor bugetare comunitare, eventuala reformare a acestora, în funcție de noi aderanți, și reorientarea politicilor comunitare.

Obiectivele proiectului de cercetare sunt:

- analiza diagnostic a actualei structuri de repartizare a cheltuielilor bugetului comunitar și stabilirea gradului în care aceasta se corelează cu obiectivele programatice, strategice ale Uniunii Europene, prevăzute în legislația primară și în cea secundară;

- analiza critică a actualei structuri de repartizare a cheltuielilor bugetului comunitar;

- identificarea unor propuneri de reformă a procesului bugetar european.

Abstract

The functionality of the community institutions is supported by the community budget with the aim to accomplish the goals of the community policies agreed at the level of the head of states and governments from the EU member states. The purpose of these policies focuses on the accomplishment of the process of economic, social and territorial convergence of all 27 EU member states.

The candidate countries for EU accession also benefit of support instruments provided from the community budget to prepare the accession, according to the Copenhagen criteria.

Within this context, the research project aims:

- To evaluate the correlation and synergy between the economic governance of the EU and the community budget;

- To make a scientific evaluation of the efficacy and efficiency of using the financial resources of the community budget within the context of a balanced balance sheet and in relation with the goals of the community policies;

- To develop considerations on the prospective sustainability of the community budget expenditure, their possible reformation

depending on new member states and redirection of the community policies.

The purposes of the research project are:

- Diagnosis analysis of the present structure of the community budget expenditure and determine whether they correlate with the programmatic, strategic goals of the EU stipulated in the primary and secondary legislation.

- Critical analysis of the current structure of the expenditure from the community budget;

- Identification of proposals for the reform of the European budgetary process.

Keywords: sustainability, European budget, convergence, financial governance

JEL classification: E6, F39, G28

The current stage of the research in this field shows that the problem of the community budget still raises problems in terms of the sources of revenue and destination of the expenditures in agreement with the goals of the European construction. The European Commission and the European Parliament called on the researchers and politicians to approach the possible reform of the European budgetary process, context in which the accomplishment of this project answers these calls and brings scientific arguments and examination into this matter.

The topic of the research is the following:

- ✓ Diagnosis analysis of the expenditure from the European budget within the context of the Lisbon Agenda (2000-2010);
- ✓ Sustainable design on the expenditure from the European budget;
- ✓ Some problems pertaining to the design of the expenditure from the European budget.

In the attempt to solve the problems confronting the European Union, the member states launched, on the occasion of the European Council of March 23, 24, 2000, the Lisbon Strategy. The stated purpose of this strategy was to refresh the community policies on the background of two major challenges affecting the economy and

society: globalization and the fast development of the information society.

The Lisbon Strategy was a set of goals, priority areas of action, targets and measures which directed the European policies of economic growth and employment towards the accomplishment of the strategic EU goal of becoming the most competitive and dynamic economy based on knowledge.

The accomplishment of the priorities identified at the community level and at the level of each individual member state, requires the allocation of financial resources, which are formed both at the level of the community budget, through the specific funds, and at the level of each national public budget.

Even if the relevant institutions negotiate this subject, the community budget is adopted only with the vote of the majority of the members of the European Parliament. The approved budget must observe the plan of long-term expenditures, known as the "financial framework". This framework, with a time span of 7 years, ensures the efficient planning of the European Union expenditures.

For the 2007-2013 financial framework, the EU member states decided that a sizeable part of their common efforts and of the EU budget should focus on supporting the economic growth and job creation, as premises for the sustainable development.

Most of the budget (about 44% of the total expenditure for 2007-2013) is allocated to the measures of dynamising and increasing the competitiveness of the European economy, and stimulating the cohesion between the member states. In other words, the measures are intended to decrease the gap between the wealthier and poorer states.

Agriculture is another sector which absorbs much of the budget resources. It ranks second in terms of allocated budget with almost 43 billion euro in 2011. The money is spent to guarantee food safety and quality, this thing ensuring a decent living for the millions of European agriculturists, while guaranteeing reasonable prices for the consumers.

A proportion of 11% of the budget has been allocated to the rural development, objective aiming to improve the living conditions and the infrastructure of the rural areas, while the environmental protection had 10% of the EU budget.

The structure and level of the expenditures from EU budget evolved in time, being strongly influenced in 2010-2011 by the international financial crisis and by the recent European objectives and treaties. The Lisbon Treaty came in support of a better “functionality” of the European institutions, which are now operating in a much visible democratic spirit, succeeding to adopt measures needed to control, as much as possible, the effects of the economic crisis in Europe. The international financial crisis produced worldwide recession, in the European Union included. One of the worst consequences was mass sacking, which is why one of the priorities of EU budget is the economic revival and creating the right conditions for labour force employment.

It was noticed that the impact of the crisis was higher in the countries which accessed the EU in 2004 and 2007. This is due to the frailty of these economies, of their intrinsic weaknesses, which is why it is extremely important to accelerate the access of these countries to the structural and cohesion funds, 52% of these funds being targeted in 2010 to EU-12 countries.

We consider that over the past two years, and in the immediate perspective, the EU budget had to cope with additional allocations. The budgetary lines must have reserves, and this presumes the revision of the long-term financial prospects, revision which is to be done this year.

As it results from the analysis, the “Chart” of the economic and social development of the European Union for 2014-2020 is the Europe 2020 strategy.

What Europe 2020 strategy brings new as actional philosophy, compared to the Lisbon Agenda, may be synthesized as follows:

- ✓ A higher stress on the implementation of actions than the stress in the accomplishment of objectives; of course, this doesn't mean that the actions that the actions will be directed less by the purpose of accomplishing the goals, but that the implementation of the actions will acquire a decisive importance;
- ✓ Introduction in the strategy of the mechanisms to accomplish the goals by implementing the related actions (which didn't happen with the Lisbon Strategy);

- ✓ The social aspects are deemed essential within the process of economic growth (in the perspective of the European social model);
- ✓ The national goals can differ from those proposed by the European strategy, depending on the starting point, on the actual conditions from each individual country and depending in the blockages to the economic growth or on other economic and social processes from each member state.

The Council of Europe becomes the crucial factor coordinating the implementation of the strategy, the body which gives directions on the way to take, unlike the present situation when it actually is the last link.

Therefore, at least two provisions (as revealed above) – stressing on the implementation of the actions, compared to the stress on accomplishing the goals, i.e. subordination of the community policies with the purpose to accomplish the objectives from Europe 2020 strategy – are determining for the correlation of the European budget with the objectives (targets) set by Europe 2020 strategy.

Furthermore, the financial perspectives for 2014-2020 are presumed to bring added value on the following three directions: efficacy, efficiency and synergy.

The old rule of the public policies, as well as the rule of the budgetary process, the “rule of the three E”: economicity, efficacy, efficiency, is about to be replaced by a less restrictive, but less adequate rule, the rule of sustainability. The fact that Europe 2020 strategy has, in its title, the term of sustainability is conclusive. The new European strategy doesn’t raise any more explicitly the problem of competitiveness or productivity, although it is not ignored within the causal and structural relations within the strategy. This shows the same thing: the importance acquired by the aspects of sustainability, adequacy, economic growth and natural social development. As the essential instrument for the application of Europe 2020 strategy is the European budget, we consider extremely important that the European budget, particularly the expenditure from it, has characteristics of sustainability, of qualitative and quantitative reproducibility.

The thorough analysis of the expenditures from the European budget calls for a new structure of the expenditures for the 2014-2020

term, while maintaining the volume of the credits of engagement proposed by the European Commission.

We consider that the process of post-crisis convergence in the EU shows, better than ever, that the efficiency of the community budget is closely related to the economic health of each member state which allows the use of the European budget expenditures in agreement with the principle of cohesion and implicitly, the production of added value which will eventually eliminate the regional disparities. It is clear that both the financial crisis and the economic crisis had and continue to impact on the speed and profoundness of the process of nominal and real convergence, even if we simplify this process to the generic notion of disparities.

The current context of EU budget design is marked by three aspects with medium and long-term structural impact.

The first aspect, of general order, refers to the efficiency of the instrument of EU governance, subject always approached and debated at all levels – European citizen, parliamentary, Commission, Council and Parliament. This is not about denying the importance of the instrument, as such, but of its materialization into the expected results, of making progress in a broad political and economic space.

The problem of the European budget efficiency will be permanently open to debates and it will accompany any budget allocation, annual or multiannual, in the EU, so that the political connotation of this budget cannot be omitted as long as the EU exists.

The second aspect relates to the fact that the EU – both its functional and political structures – will permanently find, out of the necessity of own evolution, new areas where it will consider that EU-level action is more efficient than the national-level action, basic principle for the process of integration itself, the principle of subsidiarity. Debating further this functional aspect of the European integration would mean undermining the European political project in its very fundamentals. The stake of the goals achieved in common, at EU level, for the individual national wellbeing, will maintain an economic and political competition with authentic added value, coming from a proper functioning of the European budget, particularly in terms of expenditure programming and composition.

The third aspect, which may be regarded as conjunctural, but which, unfortunately, proves to be structural as showed by the delay of the basic reforms of EU functioning (to the benefit of the member states, and in which EU budget should have beneficial effects), refers to the generalised climate of national austerity from all EU member states, with the major goal of fiscal consolidation, as effect of the financial crisis which is far from being resorbed. More than ever, this context demands a much improved pan-European logic, where the perspective of the community budget must be necessarily accompanied by the reforms which have been omitted or too much delayed – the structural reforms which keep the EU, somehow, outside the authentic capacities of global integration manifested by older and newer competitors. EU needs this capability more than ever if it wants to be a strong partner within this process which is already felt as a resetting of the international order.

The focus on the improvement of the economic governance of the EU is the symptom of the concern for long-term results in line with the major goals of the European Union also financed through the European budget. The post-crisis economic growth is wished to be for a long period, which is why Europe 2020 strategy identifies the areas and means making it possible, areas funded by the planned expenditure of the EU multiannual budget.

The new directions – sustainable development based on knowledge (energy, environment and transportation) – describe EU potential which, through long-term community policies, will bestow new features to the economic growth and to job creation, tandem which is expected to increase EU member states resilience to future shocks.

For a long period of time, prolonged by the effects of the last financial crisis, next to the processes of new-comers assimilation and to the delayed convergence, there will be net beneficiaries and net contributors to EU budget, even in the case of the significant increase of EU budget. The acceptance of EU budget deficit under such circumstances will only complicate the political dispute between the member states.

In conclusion, the main achievements of the project are:

- ✓ Diagnosis analysis of the current structure of EU budget expenditures and drawing a correlation with the

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programmatic and strategic goals of the European Union stipulated by the primary and secondary legislation;

✓ Evaluation of the correlation and synergy between EU economic governance and community budget;

✓ Critical analysis of the current structure of EU budget allocation;

✓ Scientific evaluation of the efficacy and efficiency of using the financial resources of the community budget, within the context of a equilibrated balance and in relation with the objectives of the community policies;

✓ Development of considerations regarding the prospective sustainability of the expenditure from the community budget, function of the new members and of the reorientation of the community policies;

✓ Identification of problems in the design of the expenditure from the community budget;

✓ Proposition of a sustainable design of the expenditure from the community budget

✓ Propositions for the reform of the European budgetary process.

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