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THE IMPACT OF THE EUROPEAN UNION BUDGET ON THE PUBLIC POLICIES

1. General framework.
2. The concept of European budget.
3. The budget for the time period 2007-2013.

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Abstract

The paper tries to obtain an answer to the impact of the European budget on the present and future development. The historical evolution of the European budget followed the evolution of the European integration.

The growth of the socio-economic complexity across Europe was reflected into the community budget. As a result, we analysed the components of the budget in their dynamics

A distinct part of the paper is focused on the 2007-2013 financial procedure and on the new elements of the European budget, according to the present challenges for the EU.

1. The EU's budget reflects the European priorities and the current policies for every year. It is the document for authorised financing of all community actions and their connected actions.

In the beginning, the EU operated with three different budgets connected to the European Coal and Steel Community (ECSC),

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EUROATOM and E.E.C. The financial resources of these budgets came from the Member States' contributions. The European Council had an important role in assuring the budget management.

The EU budget situation changed according to the economic integration growth. The main reasons of this process are the following:

- unification of the budgetary instruments: the ECSC Treaty expired on the 23rd of July 2002. As a result, the EU established a single common budget;
- implementation of an efficient institutional equilibrium: the European Parliament and Council are the budgetary authorities of the EU;
- implementation of their own budget resources system: this system was implemented from 1970, under the Decision on the 21st of April and it was revised in 1988, 1994 and 2000.

The article no. 210 in the Rome Treaty (article no. 269 in the Amsterdam Treaty) stipulated that the European budget has to be fully financed by its own resources. As a result, the Community had to be autonomous and it could use its resources as it wished.

The European Commission presented a measure reform package named Delors' package, which was finished by the Inter-Institutional Agreement adoption in Brussels, in 1988. This package projected the budgetary revenues and expenditures during 1988-1992 time period. The Delors' reform consisted in:

- implementation of the financial framework system during 1988-1992, 1993-1999, 2000-2006. It was preceded by three inter-institutional agreements;
- creation of a new resource based on the Member States' GNP, according to every state ability to pay;
- establishment of a total ceiling for the own resources as a EU percentage from the GNP;
- establishment of a guide ceiling for the agricultural expenditure control;
- introduction of a maximum growth rate for the non-obligatory expenditures which are object of the European Parliament's decisions;
- correction of the VAT resources.

The Edinburgh European Council (1992) adopted the 1993-1999 budget plan, relying on the Delors II package, in agreement with the policies introduced by the Maastricht Treaty.

The 2000-2006 budgetary forecasts were presented by the 2000 Agenda. The present financial perspective (2007-2013) is based on the COM (2004)101 and COM(2004)487 (European Commission, 2004).

2. According to the Financial Regulations of the year 2002, the budget can be defined as the instrument which forecasts and authorises all revenues and expenditures which are necessary for the EU every year (European Council, 2002).

The EU budget allows the observation of the common policy priorities and directions. Its evolution reflects the successive transformations of the European construction. The community budget was 3.6 billion ECU in 1970 (1 Ecu = 1 Euro from the 1st of January 1999) and it covered almost the C.A.P. expenditures.

Nowadays, the same budget is greater than 100 billion Euros and it covers all common policies: C.A.P., regional development policy, R&D policy, education and training policies, international cooperation and so on.

The rules connected to the budgetary procedures, the resources and the budgetary expenditures are stipulated in the Articles 268-280 of the Amsterdam Treaty.

The European Commission has to elaborate a budgetary project draft based on the EU economic needs and politic priorities for the next year. This document is presented to the European Council, which adopts it, after some possible amendments. As a result, the budgetary project draft becomes a budgetary project and it is sent to the European Parliament. The European Parliament can propose changes for the compulsory expenditures (which represent 40% of all expenditures), but the final level of these expenditures is rated by the Council. The European Parliament is able to change the budgetary project for the non-compulsory expenditures. This becomes an EU budgetary authority bearing the most important role.

Since 1998, the yearly community budget is established according to an average-term financial plan, which defines the yearly limits of the community's expenditures.

Under the Agenda 2000 negotiations (1999), the priorities of the 2000-2006 budgetary policy were established. The multiannual budgetary perspectives are adopted by the European Council and Parliament. The 2000-2006 financial perspective included credits for the EU enlargement.

The European budget has an important redistribution function and it transfers funds from the richer regions to the poorer ones, in order to achieve the convergence (under the structural policy).

The European budget is based on the following principles:

- unity: all expenditures and revenues must be presented together, in the same document. According to the Treaty Article 268, the EU has a single budget. This principle doesn't prevent the European agencies from having their own budgets or the European Development Fund from financing the A.C.P. countries' development.

The general community budget finances the Common Foreign and Security Policy, the Justice and the Internal Affairs, as well. But, it's necessary to realise the distinction between the administrative expenditures (which are placed into the general budget) and the operative expenditures, which can be absent from the general budget, if the European Council makes that decision.

A particular situation is that connected to the Common Foreign and Security Policy and it refers to the military or defence expenditures (the EU Treaty Articles 28 and 42). As a result, the expenditures will be covered by the Member States, according to their GNPs, using a formal statement for every state;

- universality: all budgetary revenues are used to finance all budgetary expenditures;
- revenues - expenditures equilibrium: in order to obtain an equilibrated budget (the Maastricht Treaty Article 269). When the community budget ends on a surplus, that surplus is considered additional revenue and it will be included in the next year budget. As a result, every budgetary surplus may not be used as an economic interventionist instrument (as in the Keynesian theory);
- annularity: the budget covers a calendar year (the Maastricht Treaty Article 272.1).

These above four principles ensure the budget transparency and ease the control activity, as well.

The community budget is important as an absolute value (more than 100 billion Euros), but it has a small percentage of the total European public expenditures (2.5%).

The community budget generated periodical political crisis, but it operated as a stability vector for the European development, as well. The European budget presents a real growth, but it decreased as percentage from the GNP, even if the number of the Member States and the EU politic responsibility grew.

The overall amount of own resources needed to finance the budget and to ensure the EU independence and identity regarding the Member States were defined and implemented in 1970. The amount of budgetary resources owned by the community are defined as revenue taxes allocated to the Community in order to finance its budget and to automatically equilibrate, without any decision of the national authorities (The European Commission, 2001).

The budgetary amount of own resources were redefined in 1998, as the following:

- taxes revenues collected from the C.A.P. and those from the sugar and corn syrup production;
- taxes revenues collected from the Common Customs Tariff the EU external frontiers;
- a specific percentage of the VAT tax collected by the Member States. In order to calculate this revenue, a uniform VAT basis is rated, according to the European legislation. This basis can represent maximum 50% of the Member States' GNP;
- a specific percentage of the Member States' GNP. This rate was introduced in 1988 and it tries to equilibrate the community budget.

All these resources are collected by the Member States and transferred to the EU budget. The Member States may deduct 25% as collecting costs.

The idea of a European tax for all community citizens was proposed because the European citizens are not able to distinguish between the national and community taxes. The European taxes should cover the carbon dioxide emissions, tobacco, alcohol and mineral oil excises, corporations' revenues, communications and personal revenues, as well.

Another proposal is focused on a greater contribution from the GNP. Moreover, the European Commission suggested greater taxes on energy consumption and corporations' revenues.

The European policies have to be efficiently implemented, in order to ensure the necessary added value. The European Commission is in the main responsible for the financial resources being used and ready to prove that the budget can be highly managed according to the standards.

The main aspects of this process are:

- equilibrium between the financial support and the concentration of the disposable funds: the concentration on a small number of political objectives can favour the scale economies and can sometimes realise national budget savings. Nevertheless, this approach deprives other domains of their financial support;
- equilibrium between the centralised and decentralised budgetary management: 22% of the European Funds are covered by the centralised management (by the European Commission). 76% of the same funds are managed by the Member States. 2% of the funds are managed together with the international organisations or other countries;
- simplification and consolidation of the applying instruments: refers to the principle "one fund one program" and the new equilibrium between the EU programs accessibility and an efficient specific management;
- resources mobilization: the budgetary management can support the EU budget to find supplementary resources, using the European Investment Bank, the national, regional and local expenditures the private sector's contribution;
- the use of the executive agencies: these specialised agencies operate under the European Commission authority and use specialised labour for the European Fund management;
- co-financing: represents a partnership between the community, national and regional actions in order to realise the European policies. It is a supplementary stimulus for the complementarity between community and national actions. The obligatory co-financing from the Member States represents an essential characteristic of the European structural and rural development policies. These policies cover 40% of the 2007-2013 programme expenditures;
- total transparency and visibility: are connected to the responsibility in the community budget management, in order to guarantee the legitimacy and the European citizens' confidence;
- flexibility: allows the budgetary resources to be reallocated inside and between the budget entries. As a result, the financial support can be oriented to the most efficient programs, according to the absorption capacity observed.

The EU total revenues have to set equalisation for the total expenditures, which cover 1.31% of the Gross National Product for the commitment appropriations and 1.24% of the Gross National Product for the payment appropriations.

Nowadays, the main financing source for the European budget is that based on the Gross National Product of every Member State. This resource will cover 74% of the European financing in 2013. Other financial resources will cover 13% (taxes collected under C.A.P. and Common Customs Tariff systems) and 12% (under the VAT system).

The contribution of the different budgetary resources changed as in figure 2.

The EU budgetary financing sources and mechanisms have to ensure an adequate financing for the European policies. These should be evaluated using the following parameters: economic efficiency, equity, stability, visibility and simplicity, administrative costs efficiency and financial autonomy. There isn't yet a financial budgetary source which covers all these principles.

The Member States analyse the European policies and initiatives using the national contributions as profit.

Every year, the budgetary funds finance all the European policies. The expenditures are diversified and have a great coverage. The European budget reflected the essential steps of the integration. The year of 2008 opened a new step of this evolution, because the economic growth and labour policies will benefit from the greatest budgetary funds.

At the integration beginning, the first European budget was very small and it covered only the administrative expenditures.

The expenditures under the C.A.P. covered 35.7% of the 1965 community budget. They grew to 70.8% in 1985. During 1988-1992, the expenditures under the C.A.P. decreased to 60.7% of the common budget. In 2013, these expenditures will decrease to 32%, excepting the rural development expenditures.

On the other hand, the Cohesion Policy covered only 6% of the community budget in 1965 and 10.8% in 1985. The European Single Act development focused on the socio-economic cohesion and it was followed by an increase in the community cohesion expenditures. The structural reform expenditures will grow to 35.7% of the European budget in 2013.

The energy efficiency financing programs, the foreign actions and the rural development were limited from the very beginning. It represented only 7.3% of the community budget during the first financial framework, growing to 26% in 2013 (10.2% for efficiency, 6.3% for the foreign actions and 7.3% for the rural development).

During the years 2007-2013, the expenditures policies are focused on the economic growth, employment, freedom, security and justice.

The challenge is to elaborate a future budget which will be able to anticipate the future problems in a very dynamic world. The changes in the political situation can entail the European budget capacity to adapt in order to produce optimal results and to enhance the political reaction.

The budgetary procedure represents a legislative process in which are involved the European Commission, the European Parliament and the European Council.

The European Council and the Parliament adopt the main decisions and the European Commission has to prepare a budget draft in order to subsequently implement it.

The European budget is calculated only in Euros. The procedure is complex and steady. Different steps follow some, which are exactly graded in time, so that the new budget will be adopted before the 1st of January every year. The budgetary procedure is presented in figure 3.

There are a few mechanisms which ensure the coordination and the cooperation between the community institutions during the budgetary procedure implementation. The European Council and the Parliament have bilateral conciliation meetings and trilateral meetings with the European Commission.

3. The 2007-2013 financial perspective decreases from 8 to 5 chapters. This new element makes the system more rigid and allows the more efficient use of available resources. During 2007-2013, the budgetary revenues will be 1025 billion Euros and they will cover the following objectives:

- sustainable growth: covers the structural funds, research and education and will benefit from 382 billion Euros. This objective is focused on two components: efficiency and cohesion, connected to the economic growth and employment;
- resources preservation and management: cover the financing of the C.A.P. and the environment policy and will benefit from 371 billion Euros;
- citizenship, freedom, security and justice: will benefit from 10.7 billion Euros and this allocation will cover the exchanges between young men, twin cities and the press and culture European dimension, as well;

- EU as a global actor: the developing countries, the human rights, the common foreign and security policy and the supporting of the neighbour countries will benefit from 49.5 billion Euros;
- administration (including the translation services): will have 5.75% of the total budget (49.8 billion Euros).

The 2007-2013 financial perspective is analysed in table 1 and figure 4 (Financial Perspective, 2005).

During the latest years, the EU accelerated the change rhythm and developed their own agenda for the future, which is able to define the main priorities for the next decade and on a longer-term.

The EU has to promote its values under the diversity and change growth and a complex global evolution. The competition for resources and markets becomes tight. The opening of new enormous markets creates multiple possibilities for the Europeans, but it will test the EU capacity to adapt to the structural changes and to manage their social consequences.

The globalisation encourages the scientific and technological progress. As a result, the EU can promote the knowledge, the mobility, the efficiency and the innovation. The EU can promote excellence and enhance development. As a result, the European budget has an important role, but the budgetary procedures are yet difficult. The European Commission ask for the budgetary procedure simplification, according to the Lisbon objectives (Sapir et.al., 2003).

The simplification of the budgetary procedures would represent a significant contribution to the EU working into a crucial moment of its evolution.

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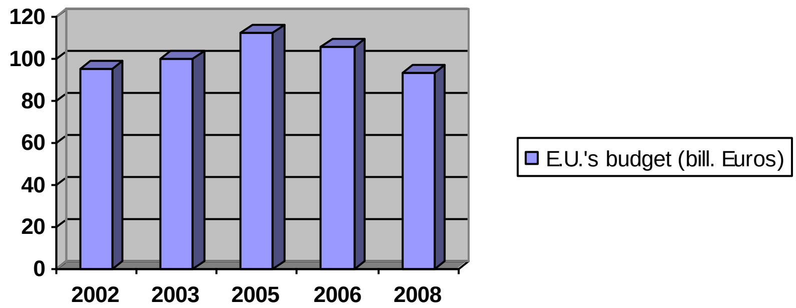
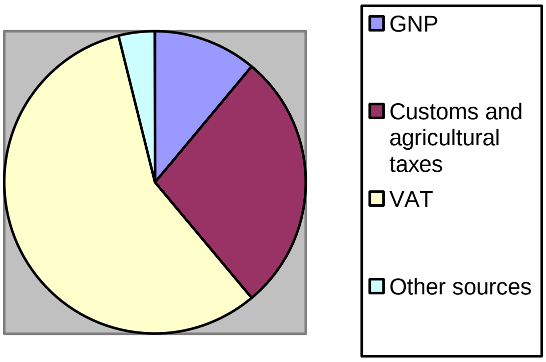


Figure 1: The European budget evolution (billion of Euros)



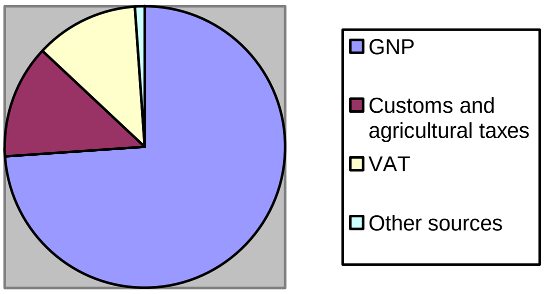


Figure 2: The EU budget revenues evolution % (1988-2013)

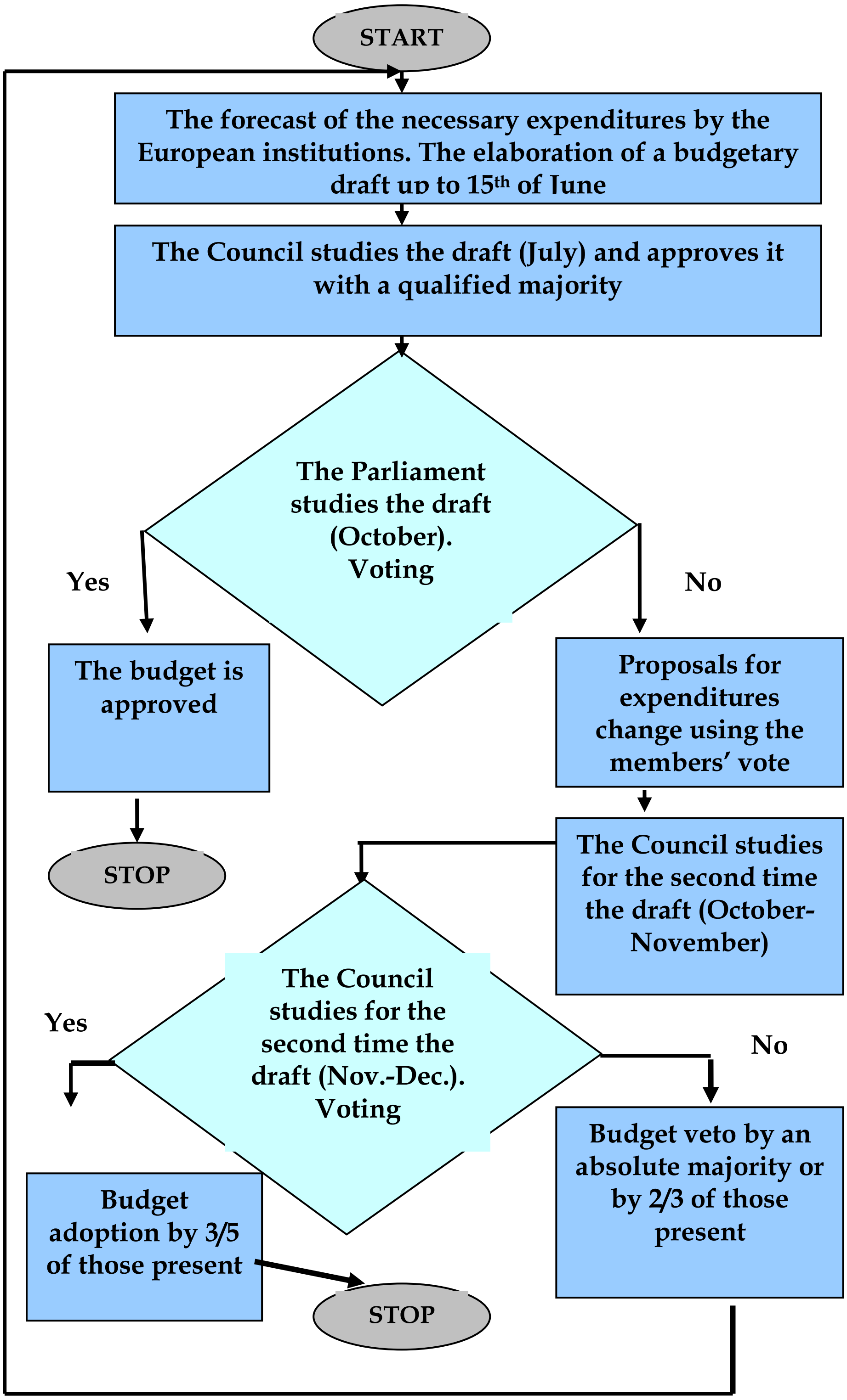

START
The forecast of the necessary expenditures by the European institutions. The elaboration of a budgetary draft up to 15th of June
The Council studies the draft (July) and approves it with a qualified majority
The Parliament studies the draft (October). Voting
Yes
No
The budget is approved
STOP
Proposals for expenditures change using the members' vote
The Council studies for the second time the draft (October-November)
The Council studies for the second time the draft (Nov.-Dec.). Voting
Yes
No
Budget adoption by 3/5 of those present
STOP
Budget veto by an absolute majority or by 2/3 of those present

Figure 3: Budgetary procedure

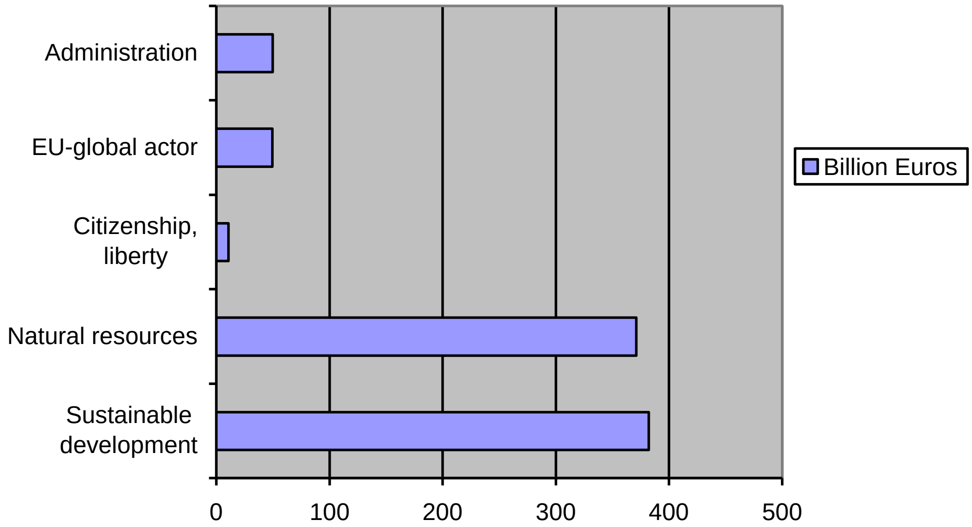


Figure 4: The objectives of the 2007-2103 financial perspective

Table 1: The 2007-2013 financial perspective (bill. Euros 2004)

Commitments to pay and payments	2007	2008	2009	2010	2011	2012	2013
Sustainable development	58.735	61.875	64.895	67.350	69.795	72.865	75.950
Natural resources management	57.180	57.900	58.115	57.980	57.850	57.825	57.805
Citizenship, freedom	2.570	2.935	3.235	3.530	3.835	4.145	4.455
EU- global partner	11.280	12.115	12.885	13.720	14.495	15.115	15.740
Administration	3.675	3.815	3.950	4.090	4.225	4.365	4.500
Setoffs	0.120	0.060	0060	0	0	0	0
Total	**133.560**	**138.700**	**143.140**	**146.670**	**150.200**	**154.315**	**158.450**