INSTRUMENTS OF E.U. BUDGET TO COUNTERACT THE IMPACT OF THE COVID-19 PANDEMIC

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Abstract: *The purpose of this article is to analyze the EU budget agenda, assumptions, and challenges of EU public policy for the period 2021-2027. The comparative method used in the study is the analysis of differences in the revenue and expenditure of the EU budget. In contrast, phenomena and events that affect the formulation of the EU budget to a greater or lesser degree, at different times, have had a different impact on the budget adoption process. The period for the analysis presented, including the main factors that make up the "two flows", took place in 2017-2020.*

Key words*: commercialization, price volatility, supply chain, vegetable*

INTRODUCTION

The financial framework establishes the limits for these annual ceilings on commitment appropriations by expenditure category and the annual limit for payment appropriations. The expenditure categories, which are few in number, align with the primary sectors of activity within the Union. Adopted for a period of at least five years, a MFF must ensure that Union expenditure is conducted in an orderly manner and within the limits of its own resources. It lays down provisions which the Union's annual budget must comply with, thus ensuring financial discipline. On 2 May 2018, the Commission presented legislative proposals on a new MFF for the period 2021-2027, consisting of commitment appropriations of EUR 1,135 billion (expressed in 2018 prices), equivalent to 1.11% of the gross national income of EU27 (GNI) and in payment appropriations (in 2018 prices) amounting to EUR 1,105 billion (or 1.08% of GNI) [6,7,13].

Following an in-depth assessment of EU spending highlighting solutions that have worked well in the past, as well as areas where reform is needed, the Commission has proposed the following MFF rules for 2021-2027: emphasis on European added value in relation to public spending on national level, a more transparent budget, with less bureaucracy for beneficiaries through a single set of rules, a more flexible budget to be able to react quickly and efficiently to unforeseen requirements, a budget that brings results in practice with more In the first part of the article, the assumptions of the EU budget were included in the Multiannual financial framework (MFF) for the period 2014-2020 presented by the Commission. The second part of the study is an analysis of the main determinants affecting revenue and expenditure in the EU budget for 2020-2027. This third section examines the stances of EU member states on the challenges facing the EU, concentrating on the flow of problems, challenges, and member state interests.

The annual budget of the European Union authorizes and allocates funding for all Community activities and interventions. It specifies the necessary resources, priority activities, and objectives required for the proper functioning of the European Union [3,4,5,13,16,17].

Numbers are not the sole focus of the European Union budget; it primarily serves as a tool for executing a political project. Consequently, its expansion based on permanent own resources is essential to meet the scale of new challenges that require a unified response. A major priority for the European budget is to strengthen policies in the magic triangle of “research, innovation, education,” which is central to the challenge of globalization.

In contrast to national budgets, the EU budget is an investment budget that finances key areas adding value to Europe by promoting growth and competitiveness. This budget intervenes only when spending at the European level is more efficient than at local, regional, or national levels. It promotes infrastructure and research projects by creating economies of scale, a leverage effect, and avoiding duplication of effort.

Complying with the main general rules also applicable in Member States, the EU budget ensures transparency of revenues and expenditures for the decision-making process and clarity in the control of budget execution, protecting the financial interests of the European Union. By means of the EU budget, the Union provides itself with the necessary resources to achieve its objectives and implement its policies. The Union’s annual budget adheres to the multiannual financial framework (MFF), ensuring the orderly development of Union expenditure within its own resources [10,13,14,15,16,17].

On 2 May 2018, the Commission presented legislative proposals on a MFF for the period 2021-2027, which provided for increases in funding for border management, migration, security, defense, development cooperation and research, including the Commission proposing to modernize the revenue component, with the help of introducing several new categories of own resources [8,10,17]. To improve flexibility in drawing up the EU budget for 2021-2027, the Commission has proposed a set of special instruments outside the ceilings, such as the temporary Next Generation EU (NGEU) recovery tool, which help the EU economy recover in following the crisis caused by COVID-19 [6, 7,19].

MATERIALS AND METHODS

In this paper, the authors utilized statistical research, observation, analysis, and interpretation as their methodology, drawing upon information from various bibliographic sources, the Treaty on the Functioning of the European Union, the Treaty of the European Union, and the EU Budget.

RESEARCH RESULTS

This section outlines the reform process concerning the Multiannual Financial Framework and the budget of the European Union.

The Multiannual Financial Framework (MFF) holds significant importance for the EU's future as it defines the unique, additional, and complementary aspects of the EU budget. The Commission, vested with the right to propose the MFF, outlines the multiannual financial perspective, initially through an interinstitutional agreement and now through a binding legal act as per the provisions of the Lisbon Treaty.

According to the Treaty on the Functioning of the European Union (TFEU), the MFF "establishes the annual ceilings on commitment appropriations by category of expenditure and the annual ceiling on appropriations for payments" and also "includes any other provisions necessary for the proper implementation of the annual budgetary procedure" [16,17]. Reform of the European Union’s revenue system -the EU budget is financed mainly from own resources to fully cover annual payment appropriations.

The Council adopts a decision laying down the provisions applicable to the system of the Union’s own resources, after consulting the European Parliament, and the States ratify this decision on the system of own resources [8,9,14].

Currently, own resources are capped at a maximum of 1.40% of the aggregate Gross National Income (GNI) of all Member States, whereas the total annual commitment appropriations in the Union budget must not surpass 1.46% of the aggregate GNI of all Member States.

EU budget revenues consist of:

"Traditional" own resources

Conventional own revenues encompass duties, premiums, compensatory amounts, additional charges, Common Customs Tariff duties, and other fees determined by Union institutions in relation to trade with third countries. These also encompass customs duties on products previously under the Treaty establishing the European Coal and Steel Community, which has since lapsed. Additionally, contributions and charges specified in the sugar sector's common market organization are part of these resources.

Member States retain 20% of the amounts mentioned in the form of collection costs during the multiannual financial framework for the period 2014-2020 ("MFF 2014-2020"), while at present Member States should retain 25% of the amounts of traditional own resources collected by them in the form of the collection costs [12,18].

Resources derived from VAT

These funds constitute a percentage of VAT collected by Member States, which is subsequently transferred to the Union. The rate is uniformly set at 0.30% for all Member States, with exceptions for harmonized VAT assessment bases established under Union rules. During the period from 2014 to 2020, Germany, the Netherlands, and Sweden had their own resource shares based on VAT capped at 0.15% each. The assessment basis for each Member State does not exceed 50% of its Gross National Income (GNI). The Commission is currently advocating for the simplification and transparency of VAT-based own resources, ensuring equitable treatment of taxpayers across all Member States.

GNI-based own resources

Established by Council Decision 88/376/EEC, these funds are derived from a uniform percentage of Member States' GNI determined annually through the budgetary procedure. Initially intended as a supplemental contribution, it now predominantly finances the EU budget.

Other revenue and balance carried over from the previous financial year

This category includes payroll taxes from EU staff, contributions from non-EU countries to specific EU programs, and fines imposed on companies violating competition laws or other regulations. Any surplus from the previous financial year is carried over to the subsequent year's budget as revenue. Notably, this category of resources no longer contributes to EU budget revenues for the period 2020-2027.

Mechanisms for corrections

Integral to the current system of own resources is the correction of budgetary imbalances among Member States' contributions. The "correction in favour of the United Kingdom," established in 1984, reduces the UK's contribution by two-thirds of the difference between its contribution (excluding traditional own resources) and what it receives from the budget. Adjusted in 2007, this correction gradually excludes non-agricultural expenditure of Member States acceding since 2004 from calculations. Funding for this correction is provided by all other Member States except Germany, the Netherlands, Austria, and Sweden, which benefit from reduced contributions toward financing the UK correction, capped at a quarter of their normal contribution.

For the period 2021-2027, Germany, the Netherlands, Austria, Sweden, and Denmark will no longer receive flat-rate corrections funded by all Member States. This marks an opportunity for revenue system reform. A fair and balanced budget package should eliminate all corrections on the revenue side.

To ensure adequate resources for harmonious Union policy development and align financing instruments with policy priorities, especially amid the Covid-19 pandemic, the

Union aims to reform its own resources system by introducing new resources during the Multiannual Financial Framework 2021-2027 (MFF 2021-2027) [9,10,11,20].

Consequently, the Union will introduce a new type of own resource based on national contributions calculated from non-recycled plastic packaging waste. The introduction of own resources derived from plastic packaging waste marks the first of several new categories introduced from 1 January 2021 under the 2020 Decision on own resources. This entails a national contribution determined by the quantity of non-recycled plastic packaging waste, set at a uniform collection rate of EUR 0.80 per kilogram. Member States with a GNI per capita below the EU average in 2017 will have their contributions adjusted by a flat-rate annual amount equivalent to 3.8 kilograms of plastic waste per capita.

Further own resources and alternative funding

The Commission aims to introduce additional own resources during the Multiannual Financial Framework for the period 2021-2027 (“MFF 2021-2027”), contingent upon advancements in decarbonization, a digital tax, and a financial transaction tax [2,10,11,20].

The Commission is proposing a carbon dioxide border adjustment mechanism (CBAM) along with a digital tax with a view to introducing them by 1 January 2023 at the latest, stressing that an excise (or a tax) on the carbon content of all products consumed, local and imported, would not fully address the risk of carbon leakage.

In recent decades, the EU has managed to successfully decouple territorial emissions of greenhouse gases (GHGs) from economic growth, with GHG emissions falling by 24% between 1990 and 2019, and GDP growing by more than 60% during this period; whereas these calculations do not take into account the EU emissions included in its international trade and therefore underestimate its global carbon footprint; about 27% of global CO2 emissions from fuel combustion are currently correlated with internationally traded goods.

The Commission emphasizes that the least developed countries and small island developing States should receive special treatment to take into account their specificities and the potential negative effects of CBAM on their development.

CBAM would provide an incentive for European industries and the EU’s trading partners to decarbonize their industries and therefore support climate policies at both EU and global level in the transition to GHG neutrality. The CBAM will support the EU’s environmental objectives, to better combat GHG emissions embedded in EU industry and international trade, while at the same time being non-discriminatory and aiming to create a level playing field worldwide.

The Commission is proposing a CBAM that creates a level playing field between domestic and foreign EU producers by applying a fee equivalent to the EU ETS (current structure of the emissions trading scheme) on embedded carbon emissions of imported goods, regardless of their origin, thus ensuring full protection against carbon leakage for European industry and avoiding transfers of emissions to third countries.

The CBAM targets are to contribute to achieving the 55% emission reduction by 2030 compared to 1990 levels and achieving climate neutrality by 2050. By 2019, emissions from the European Union have fallen by 24% compared to 1990, while the economy has grown by more than 60% over the same period.

In Figure 1., the national contributions, calculated in relation to Member States’ wealth, will gradually converge by the end of the multiannual financial framework, and as a result of the elimination of reductions by 2027, a more balanced distribution will be reached, the EU-28 average in 2020 reaching 0.85 while the average forecast for 2027 at EU-27 is 0.9.

Figure 1. National contributions % of GNI

Source: ec.europa.eu/info/strategy/eu-budget [17]

On 2 December 2013, the Council adopted the MFF Regulation for the period 2014-2020, Regulation no. 1311/2013 of the Council, which was revised, in 2015 and in 2017, by Regulation no. 2015/623 of the Council and the Regulation on MFF on 5 April 2017.

In the context of the current economic climate, the Presidents of the Commission, Parliament and Council reached a political agreement on 27 June 2013 on a MFF package for the period 2014-2020 which reduced the overall ceiling on commitment appropriations to EUR 960 billion (1.00% of EU GNI) and that of payment appropriations at EUR 908 billion (0.95% of EU GNI). The first revision transferred unused commitment appropriations in 2014 (over EUR 21 billion in current prices) in the following years 2015, 2016 and 2017.

On 30 June 2016, the Commission adopted the MFF technical adjustment for 2017 in line with the evolution of EU GNI and the adjustment of cohesion policy packages. Following this technical adjustment, the total volume of commitment appropriations (EUR 155,631 million) reached 1.04% of EU GNI and that of payment appropriations (EUR 142,906 million) reached 0.95% of GNI in the EU. GNI for 2017 is set at EUR 14,989,356 million in current prices for the EU-28. On 29 June 2016, Parliament's Committee on Budgets presented a report on the evaluation of the first years of operation of the MFF, the expectations regarding the review carried out by the European Commission, as well as the main elements of the post-2020 MFF, which on the basis of the adoption of Parliament's resolution of 6 July 2016. On 7 March 2017, following negotiations and the Council's agreement on the revision of the MFF 2014-2020, Parliament adopted a resolution amending the MFF Regulation on 5 April 2017. The central element of the agreement was the additional support of EUR 6 billion (15% reallocations, 85% unallocated resources), subject to the annual budgetary procedure, which will be made available for migration-related measures (EUR 3.9 billion), as well as for jobs and economic growth (EUR 2.1 billion, of which EUR 1.2 billion will strengthen the Youth Employment Initiative).

Following the data analysis from table no. 1 it can be observed that the total revenues in the period 2017-2020 fluctuate from year to year, registering the value of approximately EUR 155.6 billion in 2017 followed by a significant increase for 2018, and until 2020 it remains relatively constant with a slight decrease, reaching the value of total revenues of EUR 153.5 billion.

Table 1.

European Union revenues in the period 2017-2020

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Categories	Budget 2017	Budget 2018	Budget 2019	Budget 2020
Own resources	140.877,72	142.329,64	144.795,11	151.638.,5
Surpluses, balances, and adjustments	427,95	581, 25	1 802, 98	3 218 ,373
Revenue from persons working in the institutions of the Union and inother bodies of the Union	1 .489,9	1 541, 84	1 606 ,51	1 651, 32
Revenues from the administrative functioning of the institutions	487, 363	563 ,311	25, 050	15, 050
Contributions and refunds under Union agreements and programs	7.368 ,65	12 .776, 5	13, 000	13, 000
Late interest and fines	123, 658	147, 339	115, 000	115, 000
Loan and credit operations	18, 236	39 ,035	2, 823	2, 076
Various incomes	10 ,103	13, 148	15 ,000	15, 001
TOTAL	**155631, 9**	**159318 ,1**	**148492 ,4**	**153567. 2**

Source: http://data.europa.eu/eli/budget/2021/1/o

The main sources of revenue of the European Union Budget are represented by own resources, and in this category the most important and largest amounts come from own resources based on GNI, own resources from Value Added Tax, but also customs duties or taxes on import.

From the category of European Union Budget expenditures, we analysed the ceilings in the multiannual financial framework, MFF, for commitment and payment appropriations for the period 2017-2020. In 2017, the value was EUR 142,906 million, followed by a significant increase in 2018, where it reaches the amount of EUR 154,565 million. This increase is because in 2018 increases were scheduled under the Research and Innovation Program, the European Interconnection Mechanism, and the Erasmus program. Also in 2018, the Commission comes up with a proposal to maintain a significant funding effort for migration and security under the heading “Security and Citizenship”, thus highlighting the growth of this category. In 2019 the total value of payments for commitment appropriations in the MFF has a slight decrease, followed by an increase in 2020 when it reaches the amount of EUR 152,236 million (Figure 2).

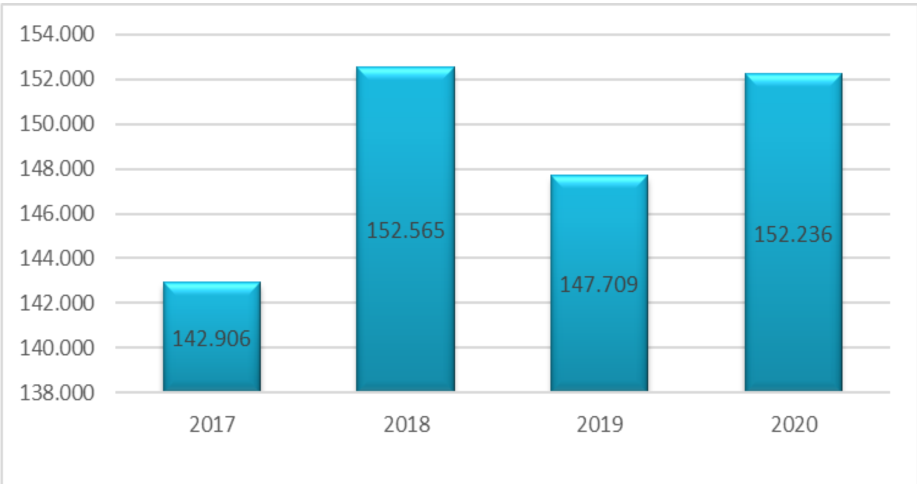

Figure 2. Total payments effectuated, 2017-2020

Source: http://data.europa.eu/eli/budget/2021/1/oj

CONCLUSIONS

The pandemic crisis of COVID-19, which has become a multidimensional crisis, has changed the perspective on a consolidated MFF with the tools needed for this pandemic crisis, giving it a new motivation and a new role in the evolution of the European community [1]. The most direct impact of Brexit on EU is a real reduction in UK net contribution to the budget and the UK will have an expensive export to EU.

Starting in 2021, there will be a new long-term budget - a modern budget that protects, empowers, and defends. Through the proposed budget, the European Commission aims to balance spending areas, redesign programs to maximize effectiveness, and support political priorities within the framework of the multiannual financial framework for the period 2021-2027 ("MFF 2021-2027").

In this new perspective, the EU faces challenges related to managing migration within the EU, enhancing both internal and external security of the Union, and advancing the EU economy through innovation and scientific research [5]. The EU budget's long-term goal is to allocate resources where the EU can provide the highest added value, focusing more on priorities such as managing migration policies, defense and security initiatives, and the Erasmus+ program.

The Commission's proposal emphasizes simplicity and transparency in own resources derived from value-added tax (VAT). Additionally, it introduces new revenue streams, including a new category of own resources based on national contributions calculated from non-recycled plastic packaging waste, revenues generated from the emissions trading system, and a digital tax. These measures are planned for implementation no later than 1 January 2023. The national contribution calculated based on non-recyclable plastic packaging waste from each Member State (EUR 0.80/kg), according to Commission estimates, as new resources, represents around 12% of the total EU budget, which is around EUR 22 billion per year to fund new priorities.

The most important challenge from the new financial perspective is to cover the financial gap created by the United Kingdom. According to Commission estimates, the Brexit revenue gap will be estimated at EUR 12-14 billion per year. The consequence of the loss of income will be to reduce spending in areas such as the common agricultural policy or political cohesion. According to the Commission's proposals, spending cuts will be 5% in agriculture and 7% in cohesion policy. The Commission proposes greater transparency of procedures for the transfer of funds to the EU budget, as well as ensuring a clear and standard definition of EU contributions in the Member States' systems.

In the face of technological change and the growth of the activity of virtual enterprises, a digital tax is seen as a potential significant source of income. Instead, the CBAM decarbonization process creates a level playing field between EU domestic and foreign producers by applying an EU ETS-equivalent tax on embedded carbon emissions from imported goods, regardless of their origin, thus ensuring full protection against relocation of carbon dioxide to European industry and avoiding transfers of emissions to third countries. In addition, the concept of European added value as a result of EU intervention is a key factor in the actions that would generate the most efficient way to spend funds from the EU budget.

The goal of eliminating corrections is particularly important because so far the richest Member States have paid the least, while the poorest Member States have paid disproportionately large amounts, thus ensuring an equitable distribution of contributions between Member States. At present, the EU budget supports many more policies, and no Member State is at a clear disadvantage compared to other states.

Giving the highest priority to growth means that a larger share of the EU budget should be transferred to growth-enhancing projects, such as research and innovation. However, significant changes in the Union's distribution order seem unlikely due to a strong prejudice of the status quo in EU budgetary policy, both in terms of institutional structures and the preferences of the main actors. All this create a certain discrepancy between the spending priorities of the EU budget and the political priorities facing Europe.

In conclusion, it is recommended that Romanian authorities present a national plan to the European Commission encompassing infrastructure investments (including environmental projects, highways, and railway upgrades), modernization of public transport (such as acquiring electric buses and expanding electric vehicle charging networks), renewable energy initiatives, energy efficiency projects, digitization of public services, and financial support for SMEs to navigate economic challenges.

The European Union budget serves as a fitting instrument for fulfilling the responsibilities of the EU, funding essential Community activities and interventions. It annually underscores the Community's priorities and political directives at the level of the European Union.

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