CHARACTERISTICS OF THE EU BUDGET AND ITS IMPACT ON MEMBER STATES

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Abstract. The aim of this paper is to analyze the European Union budget and its sources of income. Characterized headings of the EU budget, which reflect the priorities set for the seven-year period (2014-2020). In addition, it is also about budgeting under the fiscal policy. In the following section, we describe in detail the structure of income and expenditure in general terms. Finally, we pay attention to the structure of the payments and commitments for the financial year 2018 and 2019 as well as the funding of priority areas of the EU budget.

Keywords: budget, revenues, expenses, the economic environment, fiscal policy

Introduction

“The European Union currently represents a concentration of political and economic power.” [3] Parliament is part of it. The most important right of every parliament is the right to adopt the budget. This also applies to the European Parliament. The European Parliament and the Council of the EU are jointly responsible for EU budgetary policy and jointly participate in the creation of the European Union budget.

We can consider the basic treaties of the EU to be the basis of the legal regulation of the EU budget. Budgetary issues are regulated in the Treaty on the Functioning of the EU, in particular Articles 310 to 325 in the title entitled Financial provisions. The financial provisions contain the basic rules governing the EU budget, according to which all the Union's revenue and expenditure are provisionally quantified for each financial year and entered in the budget. The EU budget is approved by the European Parliament and the Council of the EU. Budget revenue and expenditure must be in balance [1]

1. The budgetary process and EU budgetary principles

Following the entry into force of the Lisbon Treaty, the European Parliament has the power to decide on the EU's entire annual budget together with the EU Council and has the final say.

The budgetary process consists of the following phases:

Stage 1 Draft budget - all EU institutions will prepare estimates for the draft budget by 1 July each year. It will then consolidate these estimates of the EC and prepare a draft annual budget, which it will submit to Parliament and the Council no later than 1 September.

Stage 2 Council opinion - The Council adopts an opinion on the draft budget and forwards it to Parliament by 1 October, together with the reasons therefor.

Stage 3 Parliament's opinion - Parliament has 42 days to approve the Council's opinion or to amend it by an absolute majority. If Parliament approves the Council's opinion or refuses to submit its opinion, the budget shall be deemed to have been adopted. Parliament usually accepts amendments and the amended text is then forwarded to the Council. In such a case, the President of Parliament shall immediately convene a meeting of the Conciliation Committee.

Stage 4 Reconciliation - The Conciliation Committee, composed of representatives of the Council and an equal number of Members representing Parliament, has 21 days to agree on a joint text.

Stage 5 Approval - If the Conciliation Committee agrees on a joint text, Parliament and the Council have 14 days to approve it. The President of Parliament then signs the budget and declares that it has been finally adopted. If the conciliation procedure fails or if Parliament rejects the joint text, the Commission will present a new draft budget. If the Council rejects the joint text, Parliament may nevertheless decide to approve it. [7]

Budgetary principles

The budget shall be established and implemented in compliance with the principles of unity, budgetary accuracy, annuality, equilibrium, unit of account, generality, specification, sound financial management, which requires effective and efficient internal control, and transparency. [5] The EU budget is established and implemented in accordance with the following principles:

- the principle of unity and budget accuracy - the budget is the instrument that sets out all the EU's revenue and expenditure for each year. No revenue or expenditure may be effected without entry in the budget.

- principle of annularity - the appropriations entered in the budget shall be authorized for the financial year which shall run from 1 January to 31 December.

- the principle of equilibrium - revenue and payment appropriations must be in balance.

- unit of account principle - the multiannual financial framework and the budget are drawn up and implemented in euro and the accounts are presented in euro.

- principle of generality - total revenue covers total payment appropriations

- principle of specification - appropriations are earmarked for specific purposes by title and chapter.
- the principle of sound financial management - appropriations are spent in accordance with the principle of sound financial management, in accordance with the principles of economy, efficiency and effectiveness.

- principle of transparency - the budget is drawn up and implemented and the accounts presented in compliance with the principle of transparency [5]

2. Revenue and expenditure of the EU budget
The budget is financed by own resources and other sources of revenue determined by common accord of the EU Member States and the European Parliament. This means that these resources belong to the European Union and are not contributions from the Member States. The budget cannot exceed 1.27% of EU GNP.

The annual budget includes the following own sources of revenue:

- traditional own resources - consist mainly of customs duties on imports from outside the EU and levies on sugar production.
- own resource based on value added tax (VAT): a uniform rate of 0.3% is levied on each Member State's harmonized VAT assessment base; however, the taxable VAT assessment base is limited to 50% of gross national income (GNI) for each country
- own resource based on gross national income (GNI) - used for expenditure not financed by other types of revenue, the standard percentage of each Member State's GNI is collected.

Other sources of income are other sources of income, e.g. taxes on the salaries of EU employees, contributions from non-EU countries to certain schemes, as well as fines imposed on companies that have infringed competition rules. [6]

Within the EU budget, expenditure is divided into:

- Commitments relate to the total cost of legal commitments that can be signed in a given financial year. Legal obligations can be contracts, grant agreements and decisions.
- payments relate to expenditure due during the current year arising from legal commitments entered into during the current year and / or previous years.

The amounts of commitments and payments usually vary in the case of multi-annual projects, e.g. during the construction of the bridge. In this case, the commitment appropriations would be committed in one year and the payment appropriations would be divided into smaller amounts paid over several years.

Commitments and payments are the same for expenditure incurred in the same year, such as direct financial support to farmers.

Commitments that have not yet been paid to the beneficiaries are called and referred to as RAL, which comes from the French "reste à liquider".

The expenditure side of the EU's annual budget may not exceed the expenditure ceilings (ceilings) set out in the multiannual financial framework. The EU usually sets its annual budget below the expenditure ceilings set in the MFF regulation in order to be able to use expenditure even in unforeseen situations. [8]

3. EU budget for 2019
On 11 July 2018, the EU ambassadors agreed before the negotiations with the European Parliament on the Council's position on the draft EU budget for 2019. In total, the Council foresees EUR 164.1 billion in commitments and EUR 148.2 billion in payments in next year's budget. Compared to 2018, commitments will increase by + 2.09% and payments by + 2.34%.

Table 1 shows the detailed breakdown of payments and commitments by heading financed by the 2019 EU budget.

### EU budget for 2019 (in billions of euros)

<table>
<thead>
<tr>
<th>Headings</th>
<th>Payables</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Smart and inclusive growth</td>
<td>77.5</td>
<td>66.6</td>
</tr>
<tr>
<td>1a. Konkurencieschopnosti pre rast a zamestnanosť</td>
<td>22.0</td>
<td>20.1</td>
</tr>
<tr>
<td>1b. Economic, social and territorial cohesion</td>
<td>55.5</td>
<td>46.5</td>
</tr>
<tr>
<td>2. Sustainable growth</td>
<td>59.3</td>
<td>56.1</td>
</tr>
<tr>
<td>3. Security and citizenship</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td>4. Global Europe</td>
<td>11.1</td>
<td>9.5</td>
</tr>
<tr>
<td>5. Administration</td>
<td>9.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Special tools</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>164.1</td>
<td>148.2</td>
</tr>
</tbody>
</table>

Table 2 shows the detailed breakdown of payments and commitments by heading financed by the 2018 EU budget.
In line with the approach taken in previous years, the Council wishes to see increased support for key EU programs in the areas of research and innovation, youth exchanges and targeted infrastructure investment. Horizon 2020 would receive 5.79% (€ 11.9 billion), Erasmus + 10.37% (€ 2.6 billion) and the Connecting Europe Facility 26.46% (€ 3.5 billion) more compared to 2018. [9] The LIFE program would also receive 5.20% more funding, resp. an additional EUR 550 million, to support the environment and measures to combat climate change.

In the area of migration, the Council's position provides a significant increase for the Asylum, Migration and Integration Fund, which should receive 55.80% or EUR 1.1 billion more funding to support the effective management of migration flows. This includes more money for the reform of the Common European Asylum System. Outside the EU, additional funding is also foreseen for issues related to the route through the central Mediterranean and for the Turkey Refugee Facility.

The Council also supported the Commission's proposal to significantly strengthen the EU Civil Protection Mechanism and to establish a reserve of operational assets at EU level (RescEU) to help Member States cope with natural and man-made disasters.

Support for the European Solidarity Corps, which creates opportunities for young people to participate or volunteer in projects across Europe, has more than doubled, to € 103 million. An amount of EUR 245 million is planned for the establishment of the European Defense Industry Development Program, as proposed by the Commission.

New resources will also be provided to finance the creation of the European Labor Authority and the European Public Prosecutor's Office, as well as to strengthen the funding of the European Data Protection Supervisor.

**Conclusion**

The EU budget is largely an investment budget from which Member States' resources are shared and economies of scale are generated. It finances measures that Member States can financially support through more effective cooperation, e.g. in the fields of energy, transport, information and communication technologies, climate change and research. The EU budget does not finance expenditure on defense, social protection, the functioning of schools or the work of the police. [6]

The budget must always be balanced. It never reaches a deficit, never creates debt and only draws the funds it receives. The annual budget is also drawn up in accordance with the long-term budgetary plan, the multiannual financial framework.

In this article, we focused on the specific budgets of the European Union, on the basis of which we wanted to show how the European Union responds to the current economic, political and social state of the EU. By knowing the EU budget in detail, this allows the Slovak Republic to set priorities for a specific budget period, which will be financed from European sources. "The state of the economy shows that the relationship between the items has improved and improved." [4]

**References**

[7] Rozpočet EÚ. Dostupné na internete: