MEASURES TO IMPROVE THE STRUCTURE OF EUROPEAN UNION EXPENDITURE

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In the current programming is proposed a reform of the own resources system, which involves removing the current own resources based on value added tax (VAT) and introducing two new own resources, one based on a portion of the proceeds gained from the application of a tax on financial transactions and the other on national tax revenue from value added. Multiannual Financial Framework 2014-2020 reflects trends on the effectiveness of EU expenditure structure (flexibility for commitments and payments in all headings and all the years to allow the use of all amounts prescribed, mandatory review clause which makes it possible revaluation budgetary needs during implementation and their adjustment, improved financial management, particularly as regards the focus on results and evaluation expenditures) and policy priorities for the next period.

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Introduction

Multiannual Financial Framework, do not represent the EU budget for a period of at least five years, but a mechanism whose main purpose is to provide items of expenditure directed towards areas of interest, being conditioned by a strict budgetary framework. Through the EU budget "annual coordinated activities carried out between Member States, EU policy orientations and priorities" [Amaral, 2014].

Directions towards which "the financial resources of the European Union are set out in the financial framework a multi-annual spending plan that guarantees long-term funding activities of the EU sustainable development" [Grigorescu and Balalia, 2010].

This paper aims to identify the main proposals for streamlining costs that will be incurred in the financial period 2014-2020, the program documents that implement European policy objectives / initiatives of the Europe 2020 Strategy.

In the literature (Böhme et al, 2013) is estimated by partnership agreements, agreed between the Commission and the Member States in the multiannual financial framework will be established nationwide general contribution, coupled with the thematic and related commitments concrete actions to achieve the objectives of the Europe 2020 (Annex 1), with clear goals and measurable in a performance framework.

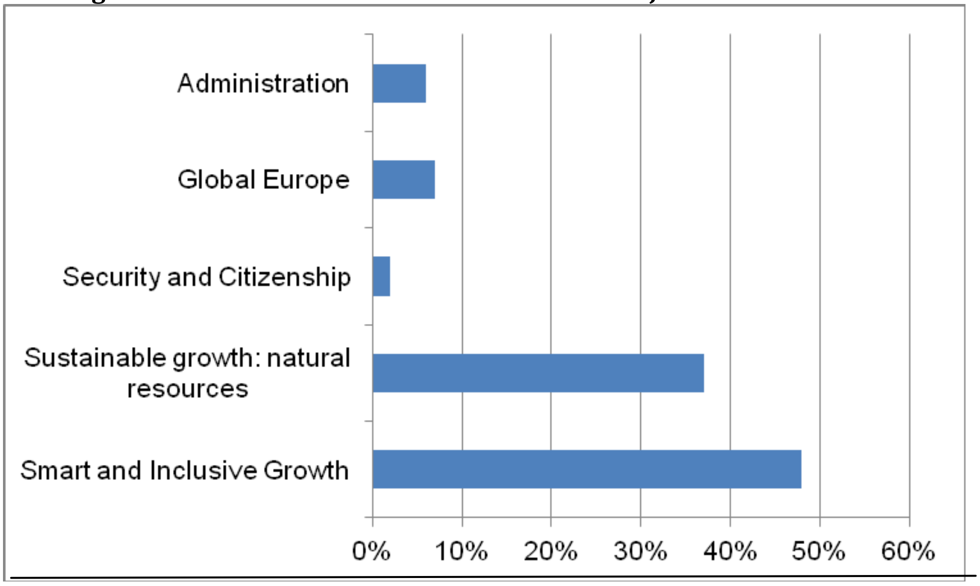
Among the causes which determine low results of using structural funds by the beneficiary countries, we mention:

- An important part of structural funds are allocated, in fact, the rich countries of the European Union;
- Concentration of funds for growth in domestic tax impacts in different countries;
- Failures of government policies that lead to inappropriate and unjustified expenditure of funds.

The high efficiency of the Structural Funds is subject to the overall quality of governance and public administration, in particular, so that economic and social benefits from the Structural Funds to record positive results.

Multiannual Financial Framework Projection for 2014-2020 is divided into five chapters, adding offsets commitment appropriations (Figure 1):

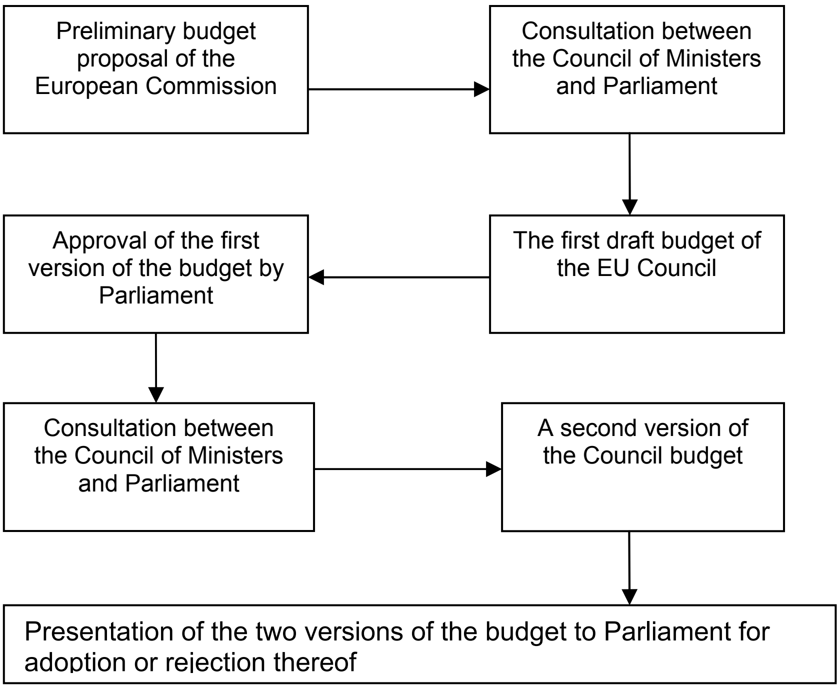
Figure 1. Multiannual Financial Framework Projection for 2014-2020



Data sources: made by author in base of European Commission Proposal on the Multiannual Financial Framework 2014-2020, 2011

1. The steps for budgeting and regulations aimed Multiannual Financial Framework
Getting agreement on the MFF mechanism involves the following phases institutions (Figure 2):

Figure2. The steps for establishing the EU budget



Data sources: Grigorescu and Balalia, (2010), The involvement of the European Unionin in funding the member states during the economic crisis period, Review Of Management and Economical Engineering

In accordance with Article 312 of the Treaty on European Union, the Multiannual Financial Framework was adopted for a period of at least five years and aims to ensure the orderly development of expenditure within the limits of own resources.

In general, the EU Council approved certain changes to the system of financing resources for the period 2014-2020, compared to previous programming based on the following principles:

-Current financing system will be extended by the "carry-over";

- Collection costs (which Member States retain) for traditional own resources (customs duties) will be reduced to 20% from 25%, which means that 80% of the revenue collected will form the EU budget;

- Improvement - although very limited - by streamlining financial corrections system. Financial correction mechanisms are designed to correct the contributions of some Member States, considered excessive in relation to their national wealth.

European Union's own resources are revenue. Annual expenditure must be covered completely by the corresponding revenue. The EU budget can not run a deficit. Different types of own resources and their calculation method are provided by the Council decision on own resources. This limit also annual ceilings own resources, which might raise during the year to 1.23% of gross national income (GNI).

There are three types of own resources:

- **Traditional Own Resources**: consist mainly incustoms duties on imports from outside the EU and sugar levies. European Union Member States retain 25% of amounts of collection costs.

- **Own resourcesbased on value added tax** (VAT): a uniform rate of 0.3% is levied on the harmonized VAT of each Member State.

- **Own resources based on gross national income** (GNI) per Member State transfers a percentage of gross national income standard for the EU budget. Although it was designed simply to cover the balance of total expenditure if the other own resources are insufficient, this system has become the most important source of income to the EU budget.

Other sources of income (about 1%) include tax and other deductions from the salaries of staff of the European Union, bank interest, contributions from non-EU countries to certain programs, interest on late payments and fines.

In the current programming is proposed a reform of the own resources system, which involves removing the current own resources based on value added tax (VAT) and introducing two new own resources, one based on a portion of the proceeds gained from the application of a tax on financial transactions and the other on national tax revenue from value added.

Financial transaction tax does not cover transactions carried out by individuals or small and medium enterprises (SMEs), such as mortgages, bank borrowing or insurance contracts. They are subject to that tax foreign exchange transactions and capital increases by companies or public bodies.

The new own resource based on value added tax aims to train a genuine link between the national and EU level and will stimulate further harmonization of national value added tax. The effect of this application is to obtain significant and stable income, in terms of reduced administrative costs for national administrations and businesses.

These changes aimed at increasing the EU budget, but increasing national budgetary consolidation efforts by reducing direct contributions from Member States' budgets. The proposed changes aim to simplify the existing contributions to the budget and strengthen the link between EU policies and their effective funding.

Proposals for streamlining European Union expenditure

Streamlining costs to be incurred in the current Multiannual Financial Framework is the result of applying the following measures conditional mechanism adopted for the financial period 2014-2020:

a) A result-oriented thematic clear in all areas essential for achieving the objectives of the Europe 2020 growth strategy, which involves financial management improved, especially in terms of focusing on results and evaluation expenditure;

b) Simplification of policies and programs so as to obtain an easy to use framework, which is not prone to errors and flexibility for commitments and payments in all headings and all the years to allow the use of all amounts provided;

c) Strict controls both funding through the European Union and the Member States to check and protect the financial interests of the European Union, including the Office of the European Union Anti-Fraud Office (OLAF) and the future European Public Prosecutor Office;

d) The effectiveness of cohesion policy, rural development and European Fisheries Fund will be matched by economic governance to encourage compliance by Member States of the European Union recommendations under the European Semester;

e) New financial instruments contribute to increasing the impact of EU funding by attracting private capital, leading to the creation of leverage;

f) A new performance reserve will stimulate outstanding performance of projects, by rewarding their cohesion policy, rural development and European Fisheries Fund. However, mandatory review clause will make it possible revaluation budgetary needs during implementation and their adjustment in accordance with approved ceilings.

Another aspect of improving EU spending mechanism contained in the financial perioad 2014-2020 refers to simplify the alignment of provisions concerning reimbursement of the costs of Value Added Tax (VAT) under various sectoral programs with the relevant provisions of the Financial Regulation. Such alignment will ensure consistency in treatment costs for Value Added Tax (VAT) incurred by the beneficiaries under the different programs in accordance with the Financial Regulation and provide legal clarity is introduced a very limited number of exceptions to this rule standard. These costs will be eligible for reimbursement only if they are recoverable, according to legal provisions and are paid by the customer, other than a taxable person.

Flexible financing contingency

Multiannual Financial Framework in force allows greater flexibility to respond the unforeseen situations:

• Flexibility for payments: in certain conditions and the overall ceilings set in the Multiannual Financial Framework, unused payment appropriations and margins may be carried over from one year to another. These adjustments must be offset by a corresponding reduction in payment ceiling for the year n-1.

• Flexibility for growing commitments and employment: the unused commitment appropriations in 2014-2017, will form a reserve for additional spending from 2016 to 2020 the growth and employment (especially for employment youth work).

• Flexibility special employment among young people in research: in order to ensure full use of funds where they are urgently needed, can be brought forward amount to 2.1 billion for 2014-2015 for Employment Initiative young and up to 400 million for research, Erasmus and SMEs.

• Flexibility for help for the most disadvantaged: voluntary, Member States may increase the allocation of EUR 1 billion for helping those most in need.

• Emergency margin: This is a last resort instrument to react to unforeseen circumstances and amounts to 0.03% of gross national income (GNI) of the European Union.

However, the margin between payment appropriations in the budget and annual ceiling for payment, and the margin between commitment appropriations budgeted expenditure and ceiling sections provide a breathing space to finance unforeseen needs and emergencies, within the same limits of Multiannual Financial Framework.

Given the past experience, the domain for intervention is related to certain special tools, such as emergency aid reserve, was extended, maximum allocation increased and was allowed to carry over unused amounts thereafter.

Outside the Multiannual Financial Framework,there are provided other flexibility mechanisms, their financing can be mobilized over expenditure ceilings, total expenditures of approximately 0.06% of gross national income (GNI) of the European Union:

1. **Emergency Aid Reserve** (up to 280 million per year), is designed to finance humanitarian, civil crisis management and protection operations in countries outside the European Union, in order to ensure rapid mobilization events unforeseen.

2. **Solidarity Fund** (up to 500 million per year), which provides financial assistance for emergency release as a result of a major disaster in a Member State or candidate. The aid is managed by the recipient country, and should be used for rebuilding basic infrastructure affected funds emergency services, providing temporary housing to victims or removal operations to counter the effects of disasters and immediate risk to health.

3. **Flexibility Instrument** provides funding for clearly identified expenditure that can not be covered by the EU budget without exceeding the maximum annual amount of expenditure set in the Multiannual Financial Framework. Flexibility Instrument is intended to allow the financing, for a given financial year and up to the amount indicated, of clearly identified expenditure which could not be financed within the ceilings available for one or more other categories [European Parliament

legislative resolution of 19 November 2013 on the proposal for a Council Regulation laying down the multiannual financial framework for 2014-2020, 2013].

Ceiling annual amount available for the Flexibility Instrument is 471 million (at 2011 prices). The portion of the annual amount of the flexibility instrument can be used in the year to year n + 3. They are used primarily parts of the annual amounts from previous years, in order of age. Part of the annual amount from year n which is not used in year n + 3 is canceled.

4. **European Globalisation Adjustment Fund** (up to 150 million per year) aims to support workers to reintegrate the labor market after being made redundant as a result of major structural changes in world trade (eg relocation, financial and economic crisis). The scope will expand and reduce the impact of new trade agreements on farmers.

Conclusions

The overall ceiling of the commitments contained in the mechanism on the Multiannual Financial Framework 2014-2020 is EUR 1.025 billion, representing the amount of the previous year for the last financial period multiplied by 7 (number of years). This ceiling is 1.05% of Gross National Income (GNI) of the European Union versus 1.12% for the previous programming.

Programmatic documents aimed at the financial period 2014-2020 include specific provisions on conditionality, which underlies permanent monitoring of actions / results. It seeks that EU funding create strong incentives for Member States to achieve the objectives and targets set out in the Europe 2020.

Conditionality means thatthe so-called ex ante conditions must be completed before payments by the European Union and the so-called ex post conditions t will compel the release of additional funds performance.

It has also been introduced as an option, a specific type of transaction, called Joint Action Plan. It is defined and managed according to the achievements and results, which will contribute to the specific objectives of the program.

To summarize, the financial period 2014-2020 is characterized on the one hand by a policy of simplification and flexibility, and on the other hand by imposing constraints on meeting deadlines and achieving results.

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Annex1

Measures to improveEU actions contained in the mechanism for financial period 2014-2020 versus 2007-2013

Multiannual Financial Framework 2007-2013	Multiannual Financial Framework 2014-2020
National Strategic Reference Framework - strategic documents reference for programming Structural Funds and Cohesion Fund (ERDF, CF, ESF)	Partnership Agreement - sets out how the investments will be concentrated in the European Structural Funds and Investment (ERDF, CF, ESF, EAFRD, EMFF), including the possibility of developing and implementing programs to be single fund or polyvalent funding programs. In general regulation includes common provisions on the five structural funds covered by the Common Strategic Framework.
Strategic guidance and programming - funds are used taking into account the European Commission's guidelines on economic, social and territorial	Europe 2020 Position Paper of the European Commission services country Specific Recommendations
Performance reserve of 3%, which can be used according to the priorities identified, each state has provided the possibility of creating a national performance reserve, rising to 3% of its total allocation for each of the convergence and regional competitiveness and employment to deal with unforeseen issues (eg economic and social restructuring), notifying the reserve in the national strategic reference	6% performance reserve mandatory. A new Reserve will boost performance by rewarding outstanding performance of their projects in cohesion policy, rural development and European Fisheries Fund
Programming has included a thematic concentration objectives	11 thematic objectives that benefit from financial allocations background conditioned by specific regulations ERDF / ESF
Each fund has been used to set specific priorities	Investment priorities / background / thematic objective The emphasis on simplification, streamlining and reducing bureaucracy Sets streamlined ways of implementing financial management and control (number of authorities involved in the implementation of the program was reduced and roles and responsibilities were better defined. It also proposed a set of common indicators)
Programming has not received predefined territorial tools	Integrated Territorial Investment (ITI) is a tool that ensures the implementation of territorial strategies in an integrated manner. This is not a transaction or a secondary priority in an operational program Community Led Development (DPRD) is a specific, usable at subregional level, which is complementary to other forms of support for local development through local action groups
Funding was not preceded by imposing certain conditions	Specific provisions for compliance: - ex-ante conditionalities theme as proposed by General Regulation 2014-2020. To achieve this, the implementation of action plans, already undertaken within 12 months from the date of the official submission of the operational programs for European funds in the period 2014 -2020. All ex-ante conditionality must be met no later than 31 December 2016; - ex-post conditionalities, which will allow the release of additional funds only if it finds desired outcome

Source: made by the author based programming documents issued by the European Commission and the Ministry of European Funds