

УДК 336.14(061.1ЄС)

I. Kononchuk

Principles of Formation of EU Budget

The article analyzes the acts of primary and secondary law that regulate the budget process of European Union (hereinafter – the EU). The principles of formation of EU budget are described. It is noted that the EU budget process includes the following stages: development of project of EU budget; consideration of the draft budget in the Council and in the European Parliament; budget approval; execution of the budget; control over the observance of the budget legislation. The place and role of the institutions in the budget process of EU is determined.

Key words: budget, budget process, principles of budget process, budget procedure, financial regulations.

Problem statement and the importance of the research. The budget is a key financial instrument and the incarnation of EU policies. The EU budget plays an important role in ensuring the development of the Union, identifying its capabilities and priorities, and providing financing for the activities of the European community. The EU budget includes revenues and expenditures, including the administrative costs of institutions, in accordance with the provisions of the Treaty on European Union, that are related to the implementation of the common foreign and security policy, as well as the current expenditures on the implementation of articles included in the EU budget. The latter is financed through its own resources and other financial revenues.

The study of EU budget formation principles is relevant for Ukraine. After signing and ratification of the Association Agreement, Ukraine aspires to become a full member of the EU, which requires the study of all aspects of the functioning of the legal system of this association in general and its budget policy and features of the budget process in particular.

Analysis of research on this problem. I. Berezovska, A. Boyar, O. Vyshniakov, T. Mazur, M. Mykivych, V. Muravyov, A. Poruchnyk, O. Roksoliak, E. Horoshaev, and O. Fedoriv researched different aspects of legislative regulation of the budget process of EU.

Formulation of the goal and objectives of the research. The goal of this study is the research of the principles of formation of the EU budget.

Presentation of the main materials and justification of the research results. The implementation of the EU budgetary process is regulated by the Treaty on the Functioning of the EU (TFEU), Regulation of European Parliament and Council (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial policy, applicable to the general budget of the Union and terminates the Council Regulation, Euratom № 1605/2002 (Financial Regulation), Council Decision No. 2007/436 (EU, Euratom) of 7 June 2007 on the system of own resources, Council Regulation (EU, Euratom) of 2 December 2013, No. 1311 / 2013, establishing the EU Multiannual Financial Framework for 2014-2020, inter-institutional agreement between the European Parliament, the Council and the European Commission on Budgetary Discipline and the proper budgetary management of December 2, 2013 [1].

The basic principles of the formation of the EU budget and the mechanisms of implementation of the EU budget and financial policy are specified in the Council Regulation No. 966/2012 [2]. These are, in particular, the principles of unity and budgetary accuracy, annuality, equilibrium, unit of account, universality, detail, budgetary discipline and transparency.

The principle of unity and budget accuracy means that the EU and Euratom have a single budget, and that the revenue and expenditure side of the budget are reflected in one document. The budget includes the revenues and expenses of the Union, including the administrative costs of institutions in accordance with the provisions of the TEU, related to the implementation of the common foreign and security policy, as well as the running costs of implementation of the provisions specified in the budget. The EU budget should include guarantees for loans and credit operations in which the Union is participating, including the European financial stability mechanism and the balance of payments mechanism, in accordance with Article 49 of Council Regulation No. 966/2012 [2].

According to the budgetary accuracy, all revenues and expenditures of the single budget established in accordance with the institutional and legal mechanism existing in the EU must necessarily be reflected in

this budget. The term «accuracy» refers to both the types (directions) of income and expenditure, and the absolute magnitudes of these categories. Revenues or expenditures exceeding officially approved levels or that are not included in the budget document are not allowed [3, p. 200].

The principle of annuality means that the budget is adopted for one year, its implementation lasts from January 1 to December 31 and must take into account multiannual action plans.

The EU annual budget should be consistent with the multiannual financial framework. The Council Regulation (EU, Euratom) of December 2, 2013, No. 1311/2013 establishes the EU Multiannual Financial Framework for 2014-2020 [4]. The financial framework should ensure the orderly development of EU spending within its own resources. It is established for a term of at least five years. The financial framework sets the annual amount for each category of expenditure. The Commission annually recalculates the amounts of appropriations, as well as the allowable deviations from them, as a result of unforeseen circumstances. After receiving the results of their implementation, they are discussed by the European Commission, the European Parliament and the Council, and after their approval they are not subject to revision until next year.

The multiannual financial framework in accordance with Art. 312 TFEU is adopted by a special legislative procedure. The Council adopts the regulations, which approve the multiannual financial framework. The Council acts unanimously after the approval of the European Parliament, which makes its decision by a majority of its deputies. The European Council may unanimously adopt a decision, authorizing the Council to act by a qualified majority when adopting such a regulation.

The principle of equilibrium is about the balance of budget revenues and expenditures. The EU and its institutions cannot use credit funds within the budget. It is unacceptable to use separate sources of income for the purposeful financing of predefined expenditure articles.

In the Art 310 TFEU it is noted that the expenditures of the budget are sanctioned for the whole financial year, according to the special regulation that is adopted according to the Art. 322 TFEU. In order to comply with budget discipline, the EU does not enact any acts that may have significant budgetary implications, without ensuring that expenditures can be financed within the limits of its own resources and with the observance of the multiannual financial framework.

The EU budget expenditure policy is subordinated to the following ideas: budget funding should help to balance the economic situation of member-states and overcome social disparities; to represent optimally the interests of the poorest states, as well as the right of developed countries to share the financial resources of the EU budget; budget discipline must be respected in the course of utilization of funds and economic efficiency and publicity should be ensured [5, p. 334].

The principle of settlement currency means that the budget and all accounts are given in euro. Multiannual financial framework and budget are set in euro (Art. 320 TFEU).

However, for cash purposes specified in Article 68 of the Financial Regulation, an accountant and, in the case of a down payment account, advance account managers, as well as for the purposes of the administrative management of the Commission and the European External Action Service (EEAS), the authorized official shall be authorized to carry out transactions in other currency, established by the delegates legislative acts, adopted in accordance with the Financial Regulations. The European Commission has the right to accept delegated acts in accordance with Article 210 of Council Regulation No. 966/2012 concerning the exchange rate rules between the euro and other currencies [2].

The principle of universality means that cumulative income should cover all EU expenditure. It is unacceptable to use separate sources of income for the purposeful financing of predefined expenditure articles.

Revenues and expenditures are fully paid to the budget by following the budget procedure established in the EU. Planned revenues and expenses must be ensured by the institution responsible for implementing the budget, the European Commission. The current expenditure adjustments due to unexpected shortfall in budget revenues (or vice versa) are not allowed. It is inadmissible to bind the specific articles of income to specific items of expenditure, however there are certain exceptions. The types of revenues that are considered assigned (the appropriations targeted at specific objectives) are, for example: the financial contributions of Member States to certain research programs established in accordance with the Council of the EU rules for the implementation of the Council's decision on the community's own resources system; financial contributions from Member States and other donor countries or international organizations to certain external assistance projects funded by the Community and administered by the Commission; interest on deposits and fines in accordance with the Regulation on excessive deficits; revenues that are assigned for special purposes, such as income of foundations, grants, gifts and donations, including related revenues of Community institutions, etc. [3, p. 201].

The principle of detalization is about the fact that expenditures are for a specific purpose and cannot

be used for anything else. The financial regulation has a procedure that allows the transfer of individual allocations. Depending on the intended purpose of the funds and their size, institutions can independently carry out transfers of appropriations within their sections. Three weeks before the transfer, the institution must inform the European Parliament and the Council about its intentions.

The principle of budgetary discipline ensures a clear distribution of budgetary functions between EU institutions. All EU institutions, with the exception of the European Central Bank, make an estimation of their expenditures for the following fiscal year and must submit it to the European Commission by July 1. The draft budget should include an estimation of both revenues and expenditures. According to Art. 43 of the Financial Regulation, the EU budget should consist of a general statement of revenue and expenditure and separate sections for each institution on income and expenditure. The European Council and the Council are an exception, as they have only one section [1; 2].

The European Commission submits to the European Parliament and the Council a proposal containing a draft budget not later than September 1 of the year preceding the year of implementation of the budget. During the review procedure, the Commission may amend the draft budget by the time of the gathering of the conciliation committee.

The Council adopts its position on the draft budget and transmits it to the European Parliament not later than October 1 of the year preceding the year of implementation of the budget. The Council informs the European Parliament of the reasons that led it to adopt its position.

Forty-two days after such a transfer, the European Parliament may approve the Council's position or make no decision – in this case, the budget shall be deemed adopted or, on the basis of a decision taken by the majority of its deputies, approve amendments and transmit the draft budget, together with those amendments, to the Council and the European Commission. A conciliation committee may be convened from the representatives of these institutions in order to coordinate the positions of the Council and the European Parliament on the draft budget (Article 314 of the Treaty on the Functioning of the European Union).

Within twenty one days after the convocation, the Conciliation Committee should reach agreement on a joint project by a qualified majority of members of the Council or their representatives and by the majority of deputies representing the European Parliament, following the positions of the European Parliament and the Council. The Commission participates in the work of the conciliation committee and acts with any necessary initiatives to facilitate convergence between the positions of the European Parliament and the Council.

Since the agreement on a joint project within the framework of the conciliation committee has been reached, the European Parliament and the Council have fourteen days to approve the joint project. If, within twenty-one-day terms, the Conciliation Committee fails to reach agreement on a joint project, the Commission shall submit a new draft budget [1]. The Commission shall participate in the work of the Conciliation Committee and shall take any necessary initiatives to facilitate convergence between the positions of the European Parliament and the Council. After reaching the agreement on a joint project within the framework of the conciliation, the European Parliament and the Council have fourteen days to approve the joint project. If, within twenty-one-day terms, the Conciliation Committee fails to reach an agreement on a joint project, the Commission shall submit a new draft budget [1].

According to Art. 317 TFEU, the main institution that is responsible for the proper implementation of the EU budget is the European Commission. It reports quarterly to the European Parliament and the Council on budget execution. Each year, the Commission submits to the European Parliament and the Council the reports on the implementation of the budget of the previous fiscal year and a report on the assets and liabilities of the European Union. In its work, the Commission is guided by the principles of effective financial management and the rules of financial regulations, adopted in accordance with Art. 322 TFEU. Member States cooperate with the European Commission to ensure that the principles of good financial management are maintained.

The EU has a three-step system for monitoring the implementation of the budget, which includes the internal control of EU institutions and the external control, exercised by the Accounting Chamber, as well as the political control exercised by the European Parliament and the Council.

The principle of transparency is aimed to ensure the publicity of information about budget processes. The EU budget is published on the Official Journal of the EU. The publication of the budget takes place within three months from the date of its declaration by the President of the European Parliament. The Journal also publishes consolidated accounting reports and reports on budgetary and financial management of each of the EU institutions.

Information on borrowing and lending operations carried out by the EU for non-member countries is published in the Budget Annex.

Conclusions. In these conditions, the study of the principles of the budget formation of the European

Union makes it possible to understand the features of budget relations at the present stage. The legal regulation of the EU budget process is carried out in accordance with the Treaty on the Functioning of the EU and acts of secondary legislation. The principles for forming the EU budget are specified in the Financial Regulation, namely unity and budgetary accuracy, annuality, equilibrium, unit of account, universality, detail, budgetary discipline and transparency. The EU budget is implemented through its own resources and other financial revenues. Budget revenues and expenditures should be balanced. The annual budget of EU must be consistent with the multiannual financial framework. It should ensure the orderly development of EU spending within its own resources. The EU budget process involves such steps as drafting the EU budget, reviewing the draft budget in the Council and the European Parliament, approving the budget, executing the budget, and controlling compliance with budgetary legislation.

Sources and Literature

1. Зібрання актів Європейського права. – Київ: Ред. журн. «Право України», 2013. – Вип. 1: Європейський Союз / упоряд. К. В. Смирнова ; за заг. ред. В. І. Муравйова. – 2013. – 1052 с.
2. Regulation (EU, Euratom) № 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) № 1605/2002 [Electronic resource]. – Access mode: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32012R0966>.
3. Бояр А. О. Принципи функціонування бюджетної системи Європейського Союзу / А. О. Бояр // Науковий вісник ВНУ ім. Лесі Українки. Економічні науки. – 2009. – № 7. – С. 199-203.
4. Council Regulation (EU, Euratom) № 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014–2020 [Electronic resource]. – Access mode: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R1311>.
5. Росоляк О. Б. Правове регулювання бюджетних правовідносин в Європейському Союзі: окремі аспекти / О. Б. Росоляк // Порівняльно-аналітичне право. – 2013. – № 4. – С. 334.

Конончук І. Принципи формування бюджету ЄС. У статті проаналізовано акти первинного й вторинного права, які регулюють бюджетний процес Європейського Союзу. Охарактеризовано принципи формування бюджету ЄС, а саме єдності і бюджетної точності, щорічності, рівноваги, розрахункової одиниці, універсальності, деталізації, дотримання бюджетної дисципліни та прозорості. Зазначено, що бюджетний процес ЄС включає такі етапи: розробка проекту бюджету ЄС; розгляд проекту бюджету в Раді та Європейському парламенті; схвалення бюджету; виконання бюджету, контролю за дотриманням бюджетного законодавства. Щорічний бюджет ЄС повинен відповідати багаторічному фінансовому рамковому плану, котрий має забезпечувати впорядкований розвиток видатків ЄС у межах його власних ресурсів. Визначено місце й роль інституцій у бюджетному процесі ЄС.

Ключові слова: бюджет, бюджетний процес, принципи бюджетного процесу, бюджетна процедура, фінансовий регламент.

Конончук И. Принципы формирования бюджета ЕС. В статье проанализированы акты первичного и вторичного права, регулирующих бюджетный процесс Европейского Союза. Охарактеризованы принципы формирования бюджета ЕС, а именно единства и бюджетной точности, ежегодности, равновесия, расчетной единицы, универсальности, детализации, соблюдения бюджетной дисциплины и прозрачности. Отмечено, что бюджетный процесс ЕС включает следующие этапы: разработка проекта бюджета ЕС; рассмотрение проекта бюджета в Раде и Европейском парламенте; принятие бюджета; исполнения бюджета, контроля за соблюдением бюджетного законодательства. Ежегодный бюджет ЕС должен соответствовать многолетнему финансовому рамочному плану, который должен обеспечивать упорядоченное развитие расходов ЕС в рамках его собственных ресурсов. Определено место и роль институтов в бюджетном процессе ЕС.

Ключевые слова: бюджет, бюджетный процесс, принципы бюджетного процесса, бюджетная процедура, финансовый регламент.