ROMANIA AND THE EUROPEAN UNION BUDGET, THE INTEGRATION COSTS AND BENEFITS

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Abstract:
Participation in an integrating group results in a series of more or less big changes in the participating states.
EU conditionality is essentially an institutional arrangement, a rule, a standard of behaviour that allows the connection among the benefits of belonging to a regional economic group, such as the EU, in compliance with the requirements and principles imposed by membership. These adjustments entail costs for countries and the benefits derived from EU membership can be highlighted and maximized to the extent that there is a high degree of compatibility between the policies and institutional framework for the adoption of these policies at national level, on one hand, the policies and European institutional models adopting these policies, on the other.
The present paper addresses the topic of operating plans designed to quantify the costs and benefits of Romania's EU accession in terms of value, highlighting its contribution to the EU budget on one hand, and its ability to access EU funds on the other hand.

Key words: *European Union Budget, costs, benefits*

JEL classification: *H 60, H 61*

1. Introduction

The communist regimes’ collapse in Eastern and Central Europe and the states’ firm decisions of adopting the model of free economy have been an unprecedented event in the world history. Ever since 1990, most countries in Central and Eastern Europe, among which Romania itself, have regarded the European Union as their support and the European accession process as their opportunity to economically relaunch themselves.

Participating in an integrating group generates various changes of higher or lower amplitude in the participating states. These changes’ amplitude vary according to the accession stage reached by a regional group; they can have the form of institutional and/or content/adoption-related redefinitions in terms of sectoral policies (policy making). Given the advanced accession stage reached within the European Union (economic and monetary union), the changes in economic policy adoption are obvious in member states. Adopting economic policies where the “European factor” becomes dominant is essentially decreasing freedom levels justified by pursuing a single European concern when stating and implementing economic policies. Thus, participating in the European Union involves member states’ acceptance of external conditions when building their economic policies.

Romania’s and the other candidate countries’ accession has been conditioned by the compliance with the conditionality elements imposed by the four accession criteria: political criterion – guaranteeing the rule of law; economic criterion – the presence of functional market economy allowing a candidate state to cope with competitional pressures and market forces inside the EU; juridical criterion – endorsing the community acquis in force at the time of accession; administrative criterion – ensuring institutions' stability and ability to assume the duties derived from their European Union membership.

Beyond the conditions imposed at juridical or administrative levels, the compliance with accession principles and implicitly Romania's accession to the European Union entail a series of *changes* both economically and politically:

Economic changes envisage the removal of barriers from commercial exchanges; the application of community provisions in terms of competition (with obvious effects upon the business environment); the implementation of PAC instruments in agriculture; the access to structural funds; the reorientation of commercial flows (trade organization); industrial and agricultural reform; implications at regional level; the accession to convergence criteria for the Economic and Monetary Union (Maastricht Criteria).

At political level – the prevailment of community law upon national laws; the direct applicability of community legislation; amendments in the Constitution and constitutional state of a national parliament; the representation and participation in Community decision making; the reorientation of foreign policies (including commercial diplomacy); changing the way to build and implement governmental policies; the emergence of new representation models of concerns within a society.

2. Accession costs and benefits

Some authors[1] believe that Romania's and Bulgaria's (two states whose growth level is lower than in other member states) 2007 accession has had significant consequences upon the Community budget; additionally, the "aspiring" Lisbon Agenda should be taken into account, launched in 2000, aiming at creating the "most competitive economy" until 2010. This goal was to be reached by the so-called open coordination method where monitoring plays a very important role.

More than two decades have passed since the first financial prospect adopted by the EU and since then the circumstances of community expenses have changed dramatically: the Union has increased the number of its member countries from 12 to 27, the EU institutional structure has been modified, along with its needs, resources and issues. The Community budget reform refers to changing the way it is designed and spent. The manner of forming and dividing the Community budget has changed whenever the circumstances in member states have requested that. Thus, during the first multi-annual planning of the EU budget (1988-1992), the traditional expenses for agriculture were 61% of the budget. Now, in the current European budget valid until 2013, the share of expenses allocated for agriculture has dropped to 32%. The period between 2007 and 2013 means the first multi-annual planning when countries such as France whose agriculture is a substantial part of its economy and therefore highly benefits from the provisions of the single agricultural policy (PAC), have agreed to significantly decrease the percentage allocated to traditional agricultural expenses. It allows funds to be granted to new policies such as economic competitiveness growth, emergence of new jobs, or to the EU's foreign operations which used to be granted up to 10% of the respective year's budget before the year 2007. Consequently, until 2013, the expenses for economic development and competitiveness growth shall rise up to 26% of the EU budget. In May 2006, the European Parliament, Council and Commission have agreed that the latter should commence a deeper, more careful review of the European budgeting procedures. In September 2007, the European Commission launched a public reference in relation with the EU budget's review.

From September 2007 until April 2008, the European Commission accepted the opinions of European players who wanted to express their views upon the budget

[1] Ondřej Schneider, *"The EU Budget Dispute – A Blessing in Disguise?"*, Czech Journal of Economics and Finance, volume 57, year 2007, pp. 304-323

reform. The citizens, political, scientific and economic factors in EU member states were invited to answer the question: How can the EU budget be better managed in order to ensure better living standards? The public reference incurred ideas from various society areas and segments, not just the opinions of governments, but also of lobbies, enterprises, universities and, of course, citizens. The debate did not refer to precise amounts but it aimed at shaping a general framework of the EU's future priorities with everyone involved. The EU budget reform is an opportunity to regard Europe from another perspective and to consider where it should rank in the world. New ideas were welcome, it was a free discussion, with no taboo topics. This type of debate was thought to be the only step to take so that the EU budget should effectively cope with the challenges of the modern world.

The European Union has its "own resources" to finance its expenses. From the legal point of view, these resources belong to the Union. Member states collect them on behalf of the EU and transfer them into the EU budget.

Own resources are classified into three categories:

- **Traditional resources (TR)** — they mainly represent the fees applied when importing goods from countries outside the EU;
- Resources based on **value-added tax** (VAT) which are a uniform percentage quota applied to VAT collection which is compliant in each member state;
- Resources based on **gross national product** (GNP) which represent a uniform percentage quota (0.73 %) applied to the gross national product in each member state.

The budget is supplied with other collections, too, such as the fees paid by EU personnel for salaries, contributions from countries outside the EU due to certain EU programmes, and fines applied to companies that break competition rules or other laws.

Approaching the quantification of Romania's EU accession costs and benefits in terms of value, the contribution in the EU budget during 2007- 2012 is shown in the table below:

Table no.1

Romania's participation in the Community budget (2007- 2012)

	EU budget - Euros-	**Variance** (%)	Romania - Euros-	**Variance** (%)
2007	113 845 815 415	-	1 060 225 579	-
2008	120 662 885 029	+ 5.71	1 350 381 019	+1.27
2009	114 972 328 243	-4.72	1 387 921 912	+1.02
2010	122 955 918 526	+ 6.94	1 408 224 533	+1.01
2011	126 727 133 762	+ 2.90	1 313 594 123	-6.71
2012	129 088 042 948	+1.86	1 359 679 650	+1.03

Source: Created by the authors according to the data taken from www.eur-lex.europa.eu

Romania's contribution in the European budget has four basic components : own traditional revenues (customs fees, agricultural customs fees, sugar contribution), VAT, the discount allowed to the Great Britain (to make up for the imbalance between Great Britain's amounts supplied in the budget and the EU's expenses on the former's territory) and resources from the Gross National Product. During the years to come, Romania's contribution in the EU budget shall be around 1% of its annual GDP ; more than half of its contribution shall yearly come from the Gross National Product and other substantial amounts are to be supplied from customs duties and value-added tax.

Between 2007-2012, Romania has contributed with nearly 8 billion Euros in the establishment of the European Union's budget ; on the other hand, due to its membership, Romania has been allocated the amount of 19.668 billion Euros for 2007-2013 Euros by the European Union. 23.8% of the structural and cohesion funds is allocated for transport infrastructure operational programmes, 23.5% for environment infrastructure, 19.4% for regional growth, 18.1% for human resources development, 13.3% for economic competitiveness, 1.1% for administrative capacity, and 0.9% for technical assistance, according to the data provided by the Ministry of Public Finance. This amount is supplemented by the funds for the agricultural sector and rural economy which come up to 11.1 billion Euros[2].

A comparative analysis of costs and benefits could highlight the fact that Romania has not had any losses during the analyzed period. The spokesman of the European Commissioner for financial programmes and budgets, Dalia Grybauskaite, stated in 2009 that Romania and Bulgaria do not have any reasons to fear *"they might be net[3] contributors in the European Union's budget"*, namely they do not have to pay back the Union more than it gives them. Robert Soltyk explained that there is a proper ratio between what these countries pay to and what they receive from the EU: *"No country of those having accessed the EU in May 2004 has been a net contributor in the EU budget all these years. In conclusion, there is no reason why Romania or Bulgaria might be regarded as net contributors in the EU budget".*[4]

If Romania's contribution to the Union's budget is compared to the amounts it may receive, it is obvious that Romania should be a net beneficiary. In this respect, it is important that Romania should ensure the absorption rate as close to 100% of Community funds as possible; yet, reality is different.

A survey made public in early March this year by the Ministry of Public Finance shows the following:

Table no. 2:

Status of submitted, approved and contracted projects, and payments made during 2007-29 February 2012

(Structural) Operational Programme	SUBMITTED PROJECTS	APPROVED PROJECTS	FUNDING CONTRACTS/DECISIONS	PAYMENTS TO BENEFICIARIES (total amounts in million Lei)
Transport SOP	123	68	61	677.41
Environment SOP	461	315	247	2 597.61
Regional OP	8 076	3 029	2 677	4 791.19
Human Resources Development SOP	10 216	2 998	2 439	4 349.47
Economic Competitiveness	11 604	3 322	2 242	2 067.60

[2] www.europarl.europa.eu

[3] In public debates, the EU's "net contributors" are frequently mentioned which often generate topics for disputes. The calculation of such net contributions takes into account what each member state transfers on one hand and receives from the EU on the other hand, by means of various European funds. Starting from this calculation, it is often asserted that some member states contribute in the European budget more than others do in terms of net value and per/person analysis. Hence, the conclusion that "net contributors" benefit from the EU and its policies less than other member states do. The states generally brought into discussion are Germany, France, Low Countries, Italy, Great Britain and Sweden.

[4] www.EurActiv.ro

Growth SOP				
Administrative Capacity Growth OP	1 371	390	348	120.34
Technical Assistance OP	95	80	75	100.53
TOTAL	31 946	10 202	8 089	14 704.15

Source:http://www.gov.ro/absorbtia-fondurilor-structurale-si-de-coeziune-proritate-zero-a-guvernului-romaniei__l1a109210.html

Expressing values in the European currency, it can be noticed that our country has managed to procure almost 3 billion Euros up to now. It means the country needs a substantial acceleration of the absorption process represented by significant annual amounts absorbed from the European Commission.

3. Conclusions

After the analysis of EU accession costs and benefits, it can be stated that the main deficiency is the low extent to which European funds are absorbed.

Romania's major growth needs and its current economic context make it necessary for the non-reimbursable funds' absorption level to increase as well as to be effectively used, so that the outcome should be a significant impact at national, regional and local levels.

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