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ABSTRACT OF DOCTORAL THESIS

COMMUNITY FUNDS AND THE EUROPEAN UNION´S BUDGET

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CONTENT

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INTRODUCTION

The uncertainty of the operation of the European Union´ s institutional system and of the administration of this ensemble comprising almost 500 million of inhabitants after the enlargement on the 1st of May 2004 and on the 1st of January 2007 causes the persistence of a more profound uncertainty of the Community project, of its ambitions and finalities.

Though it represents only 1% of the members states´ national gross income, the European Union´s budget has always represented one of the key problems of the European integration. On the one hand, each member state tries to earn as much as possible of the grants redistribution, thus leading to prolonged negotiations, on the other hand, each institution implied in the decision making process tries to promote its own interests specified on the agenda and these interests often differ from those of the partners´.

Along its 50 years of existence, the European Union´s budget was a continual process of changing and adjustment. The debates regarding the future of the European Union´s budget represent only a slightly deformed mirror of the following key questions: What for the Community budget? What should it be its role, amount and structure? The answer to these questions depends on the European Union´s objectives and missions. They have also been in the very centre of the negotiations regarding the Interinstitutional agreement and the 2007-2013 financial perspectives.

Our option to research the Community funds and the European Union´s budget has its starting point in the necessity of fundamental reform of the European Union´s budgetary system and in our country´s status as member of the European Union. Our scientific approach considers an obvious reality and the specialists and the European Union´s member states´ interest expressed during the last decade for the reform of the European Union´s budget.

For a profound study we started at the stage of knowledge mentioning authors and their reference works from specific literature.

Concerning the European Union´s role and history issue, significant contributions have been made by Ghica L. A. (2007) with his reference work *″Enciclopedia Uniunii Europene″*, Brezeanu P. (2007) with his paper *„Finanțe europene*” and Jouen M. &Rubio E. (2007) with the study *„The EU Budget: What for?”*. The European Union´s publication *„European Union Public Finance 4th edition”* from 2008 and the European Union´s Treaties contributed to the clarification of the progressive phases of the European Union´s budget.

The analysis of the Community budgetary process and the discussion regarding the European Union´s financing benefit from a particular attention in the paper *„Le budget de l' Union européenne”,* written by Lechantre M.& Schajer D. (2003). The studies of Jacques Le Cacheux *„Les Ressources propres du budget européen”* from December 2006 and *„Budget européenne: La poison du juste retour”* from July 2005 contribute significantly to the clarification of the notion ″own resources″.

In the paper *„Funding the EU budget with a genuine own ressource. The case of a european tax*” of the author Cacheux J. (2007) and in the study *„Vers un impôt européen?”* published by the Montaigne Institute in October 2003, it is treated the issue of the introduction of the Community tax and and the methods of its implement. This perspective of creating a Community tax is not a new idea, but it became very actual and the European Commission takes it carefully into account at present day. In the study *„New demands and alternative resources for a more ambitious EU budget*" (2009), Weida A. deals with the opportunity to replace the current VAT resource with the Tobin Tax on financial transactions.

The future of the European Union's budget is analysed in the paper *„Le réexamen du budget de l'UE: poser les questions dérangeantes*" of the author Rubio E. (2008) and in the study *„Reflections on the future of the EU budget, with special reference to the position of the net beneficiary countries"* Inotai A. (2007).

The administration method of the Community funds allocated to different European common policies is treated quite concisely by Prisecaru P. (2004), Profiroiu M. & Popescu I. (2003), Bal A. (2007), Jouen M. (2008), Garzon I. (2007). The impact of the Community funds on the economies of the member states is analysed in the paper *„Impactul fondurilor structurale-aspecte calitative"* by the author Băleanu A. (2007). The macroeconometric models HERMIN are being used since the '90s of the last century within the EU in several studies analyzing the macroeconomic impact of the European Single Market and of the structural funds on the European Union's peripheral economies. Bradley J. and Zaleski J. (2003) propose the development and the application of the Hermin Methods for analyzing in a qualitative manner the process of economic recovery of the Central and Eastern Europe. A key observation of this study was the fact that, with the start of trade liberalization, major components of the production area and some services area have changed from noncommercial to transactional ones at international level.

The effects of the European integration on the member states and of the member states´ on the European Union budget are analyzed by E. E. Zeff& E. B. Pirro (2002), Luțaş M. (1999), Bayou C. (2007), Bazin G. (2007) Fontaine D. (2007), Lhomel E. (2007).

The issue of the thesis was structured in such a manner it may reach the objectives of the research. Taking as starting point the stage of knowledge, I propose as main objectives the following:

- The study of construction, development and stabilization of the European Union´s budget;
- The analysis of the budgetary process at European Union level;
- The analysis of the creation of the European Union´s incomes and the European Union´s financing perspective by means of a unique tax;
- The analysis of the objectives, intervention areas and management methods of the Community funds;
- The synthesis of the possible favourable effects of the European integration on the member states and the favourable effects of the member states on the European Union´s budget.

The thesis is structured in five major chapters. We would like to mention the fact that, yet the title supposes a prior approach of the Community funds, first of all we dealt with the European Union´s budget, because the Community funds allocated to different common policies of the European Union represent the major part of the expenses within the European Union´s budget.

The first chapter describes briefly the main budgetary evolutions of the European Union, since its creation until present day. The second chapter makes a detailed presentation of the budgetary process at European Union level, starting with the description of the Community´s budgetary principles and the way they are actually violated, continuing with the clarification of the attributions and competences of different implied Community institutions and ending with the stages of the annual budgetary procedures.

The budgetary impact of the member states on the European Union and the latest one´s on the member states are analyzed in chapter three. In this chapter we tried to synthesize the progresses registered by each European member state, actually to present the effects of the European integration upon them. Regarding the last ″enlargement wave″, we presented only generally the European Union´s impact on the new member states from Central and Eastern Europe, insisting on the case of Hungary and Poland.

The incomes structure and the expenses orientation are presented in the fourth chapter, together with opinions on the future of the European Union´s budget, both regarding resources and Community expenses and budgetary procedures.

The following fifth chapter analyzes precisely the financings offered to the member states through the Community funds allocated to different common policies of the European Union. In the first part, this chapter presents the evolution of the European Union´s pre-adherence funds, structural funds, the funds meant to the common agricultural policy and those meant to the common security and foreign policy. It is also analyzed the financial assistance accorded by the European Union to Romania, during both the pre-adherence and the post-adherence period. We realized also an econometric modelling in the case of 6 member states in order to analyze the existent correlation between the GDP´s evolution of the state in case (dependent variable) and the evolution of the total annual payments made by the European Union on the territory of the respective state. The second part of the last chapter is based on a general analysis of the European Union´s extrabudgetary financing instruments, that is the European Development Fund, the loans accorded by the EIB and guaranteed by the Community budget and the European Union´s borrowing and lending operations.

On the basis of the undertaken analyses we concluded that the European Union could have a federal budget able to play a contracyclical role in case of ″assymetric″ situational shock. This is the role the federal state´s budget plays in a federation: in case of a shock affecting only a part of the federation, the resources originating in this area decrease, while the transfers made in its favour increase. In a Union where the work factor is characterized by a slight geographical mobility, to dispose of a federal budget could constitute a precious advantage, yet it claims a radical evolution of the expenses and incomes part of the budget: the Union´s incomes should be taxes sensitive to activity and their expenses should also depend at least partly on the conjuncture. In these conditions, in order to have a macroeconomic impact, the European Union´s budget should exceed significantly the current threshold of the own resources so that it might represent at least 7-8% of the Union´s GDP. This perspective is obviously too far and supposes indeed an effort of harmonization of fiscal and social dispositions. Thus, it is unlikely to entrust in the future the Union´s budget with a mission of situational stabilization.

This is the domain that our future researches will mainly focus on. In this context, we will deepen the issue of the impact of such a financing model upon the member states, including Romania, in the conditions of federalization, but also their reaction to such a project. Also as a future research orientation, we intend to analyze the destination of the structural and cohesion funds within the new member states.

CHAPTER I
THE EUROPEAN UNION´S BUDGET. HISTORICAL RETROSPECTIVE AND NEW CHALLENGES

This first chapter begins with the description of the way in which the European Union´s budget has been created, pursuing to reveal the main budgetary modifications introduced in the Treaties.

The first twenty years of the Communities existence were marked by a series of important evolutions: the movement undertaken to unify the budgetary instruments, the progress to the Community´s financial autonomy, the development of the Community´s common policies, the search of an interinstitutional balance while exercicing the budgetary power.

The evolution of the European Community to budgetary autonomy, yet stipulated in Article 201 of the Treaty of Rome, resulted several problems. But the Community needed political and financial independence in order to face the more and more expensive engagements of the common agricultural policy and the recently introduced Community policies. The adoption of the system based on own resources represented actually a reflection of the emphasis of the integration degree of the European member states, implying a great transfer of decisions from national to Community level.

The European Union´s budget reflected the essential stages of a European integration. Evolutions such as the Single Market, the enlargement, the development of a global vision on Europe determined the change of the configuration of the European Union´s expenses. The year 2007 set a new phase of this evolution taking into account the fact that, for the first time, policies pursuing especially economic growth and the employments will absorb the major part of the Community budget.

The rule according to which the Community´s general budget is balanced and entirely financed from own resources has been questioned beginning the ´80s. Four major factors lay at the origins of the Community´s financial crisis during the period 1979-1987:

- A climat of conflict within the relations between the Community institutions implied in the budgetary process;
- The issue of budgetary imbalances;
- The resources maladjustment in reduction, the Community needs in increase.

The main reforms known as the ″Delors I″, having determined the characteristics of the current system of own resources and assigned the correction principle of the budgetary imbalances, were adopted in June 1988 by the European Council from Bruxelles. The main innovation represented the introduction of new own resources based on the GNP of the member states, meant to take into account the contributive capacity of the member states.

The European Council defined the principle of a consolidated budgetary discipline in order to assure the best balance possible between the different categories of expenses of the Community´s general budget and their controlled increase. Since 1988 the budgetary procedure has been integrated within the Interinstitutional Agreement including also financial perpectives for the following period.

By means of Agenda 2000 ″for a stronger and greater Union″ there´s been outlined the reform of the common agricultural policy aiming at the constitution of the methods by means of which one can control the expenses allocated to the agriculture and the transfer of rural development of the regional development policy within the European Agricultural Guidance and Guarantee Fund.

The stabilization of the EU expenses has also been the way of the member states, as net contributors, to avoid a new depreciation in absolute terms of their critical positions, especially as the discussion shows difficulties to obtain an agreement concerning the significant reform of the system of own resources.

One of the main challenges of the Community´s general budget remains continually to find optimal methods for the financial support required by the enlargement process of the European

CHAPTER II
THE BUDGETARY PROCESS AT EUROPEAN UNION LEVEL

The budgetary procedure is annual and begins with the preparation by the European Union of a preliminary budget project which will be sent until the 1st of September to the Council of Ministers. The debate and implement stage of the budget project by the Council of Ministers and the European Parliament has been significantly modified and simplified at the same time with the coming into force of the Treaty of Lisbon. The new treaty introduces a single lecture of the budget project by the two bodies of the budgetary authority and consolidates the budgetary powers of the European Parliament, becoming more powerful then the European Council.

The Council of Ministers decides by qualified majority the way in which the budget project will be presented to the European Parliament until the 1st of October in the respective year, preceding the budgetary application. The Treaty of Lisbon foresees a period of 42 days since the communitcation of the budget project for its lecture within the European Parliament. The new treaty removes the distinction between the compulsory and the optional expenses, the Council of Ministers and the European Parliament becoming co-responsible for all the expenses of the European Union.

The European Parliament has the last word concerning the Community´s general budget. Its silence equates approval.

The European Commission implements the European Union´s budget. There exist four methods of administration of the UE expenses:

- *Centralized administration directly by the services of the Commission or indirectly by the Community agencies* – it is applied in case of administrative expenses and in case of certain loan operations allocated to internal policies and foreign actions;
- *Divided administration* – it is characterized by the fact that the administration actions are offered to member states, in the case of Community funds allocated to common agricultural policy, of structural and cohesion funds and of own resources;
- *Decentralized administration* - it is characterized by the fact that the administration actions are offered to third countries, especially in the case of pre-adherence grants;
- *Mixed administration* – it refers to the programs implemented together with the international organizations, without affecting precisely the Community funds while a certain action.

The European Commission realizes as well the annual execution account of the EU budget. Every year, during the ″discharge″ process the European Commission and the other institutions of the European Union have to answer in front of the European Parliament for the use of the Community resources. The European Parliament gives before the 30th of April of the year n+2 discharge for the European Commission to implement the Community´s general budget of the respective year. Since 1985, the European Union´s budget has been closed with excess, due, in a measure of 95%, to the sub-execution of the loan payments.

The European Union´s competences regarding control of budget implement are not restricted to the discharge procedure. Thus, the Treaty of Maastricht introduced an audience mechanism of the European Union at the Parliament: the Committee on Budgetary Control, assuring the control of the ensemble of financial, budgetary and administrative execution measures regarding the general budget of the European Union and of the European Development Fund and, in certain restrictive conditions, of the activities of the European Investment Bank.

The European Court of Auditors exercises an independent administrative role on the Community´s account. The Court´s ultimate report and the results of the controls are published in the Official Journal of the European Commission, before the 30th of December of the n+1 year.

The reports of the European Court of Auditors represent both a rich source of information concerning the European Union´s financial administration and a method of pressure on the institutions and other bodies regarding the assurance of a good management of funds.

CHAPTER III
THE STAGES OF THE EUROPEAN INTEGRATION AND THEIR BUDGETARY IMPACT

This chapter presents concisely the influence of the member states on the European Union and their position as net contributors or net beneficiaries related to the European Union budget. One has paid a particular attention to the way of arbitrary calculation of budgetary net balance, estimating for each member state the budgetary net balance since the moment of its adherence until present day. The national budgetary net balance represents the difference between the expenses made by the European Union for a certain state and the contributions made by the respective state to the EU budget, having generally reference to the GDP of the concerned state.

According to the net balance referred to the considered member state´s GDP, we can distinguish four groups of member states[1]:

- **The great net contributors to the Community budget** are Holland, Denmark, Sweden, Germany, Belgium and Great Britain, having a negative net balance that exceeds 0,15% of their GDP.
- **The ″second grade″ net contributors** are Italy, France, Austria, Luxemburg, Finland and Cyprus. Relatively rich, these states are important beneficiaries of the common agricultural policy and of the structural fund, restricting relatively their contributive effort.
- **The old net beneficiaries** are the recipients of the cohesion or structural funds and they are favored in the case of common agricultural policy: Ireland, Spain, Portugal, Greece. These countries registered greater positive net balances than 0,14% of their GDP.
- **The new net beneficiaries** are the Central and Eastern European countries who have recently adhered to the European Union and who benefit especially from the structural and cohesion funds because of the need to increase their standard of living: Lithuania, Latvia, Estonia, Bulgaria, Hungary, Poland, Slovakia, Romania, Malta, Czech Republic, Slovenia.

Beside the whimsy and the different possible account conventions serving to the evaluation of national budgetary net balances, one can also debate the analytical bases of these balances. Actually, the greatest part of the European integration process and of the common policies financed through the Community general budget are called by the economists ″Pareto improvements″, because they provide mutual wins. This European integration process is a ″game with positive amount″, some of the winners´ gains in this game are superior to the losses of the eventual losers´.

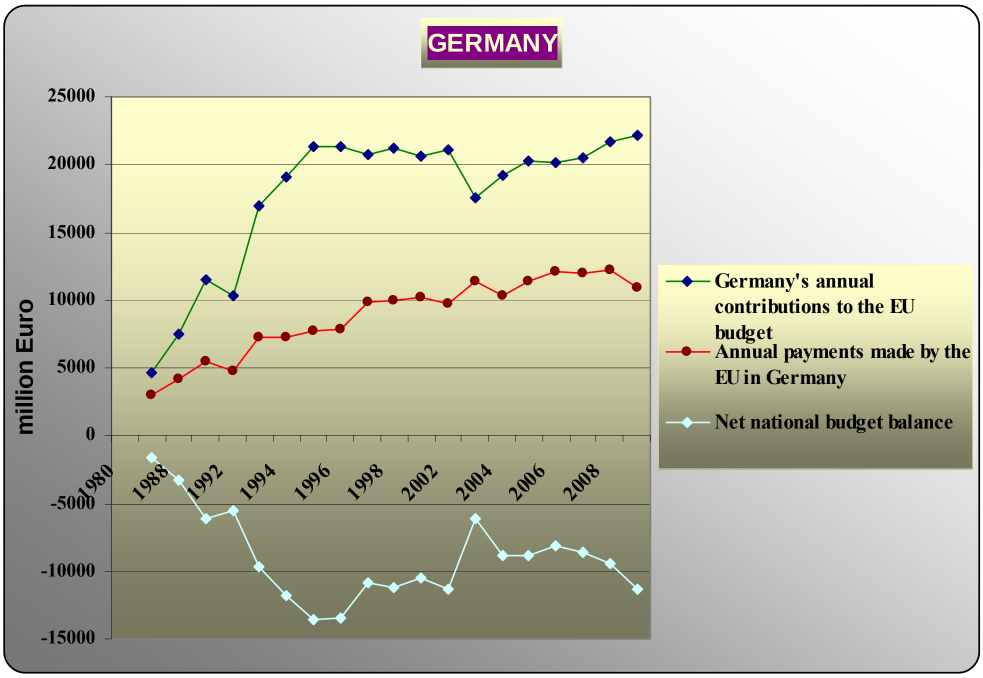
The early European integration process has often been described as a business between the French farmers and the German businessmen. For a long period, Germany used to be the economic engine of Europe, having a better position in the area of industry after the Second World War than the other European countries. Concerning the Economic and Monetary Union, Germany played a leader role by the time of the establishment of the object, structure and powers of the European Central Bank. Germany insisted successfully on the fact that instead of giving up the German mark, the countries applying to the Economic and Monetary Union shall adopt the German ″ culture of

[1] Popa Diana Claudia, *The arbitrary calculation mode of the net national budgetary balance*, The Annals of the University Ovidius Constanta, Series of Economic Sciences, 2007, ISSN 1582-9383, Ovidius University Press Constanta, volume II, section 5, page 604

stability", implying low inflation, low rates of interest, low government budget deficits and a public debt of maximum 60% of GDP[2].

Germany was and still is one of the greatest net contributors to the Community general budget, his contribution having an important role in sustaining financially the new member states. During the period 1995-2008, Germany registered a negative net average balance of 8,74 billion ECU/year during the period 1980-1997 and 9,23 billion Euro/year during the 1998-2008, as it can be remarked in chart no. 1.

Chart no. 1. *The evolution of Germany's contributions to the EU budget, of the payments made by the EU on Germany's territory and of Germany's net balance during the period 1980-2008*



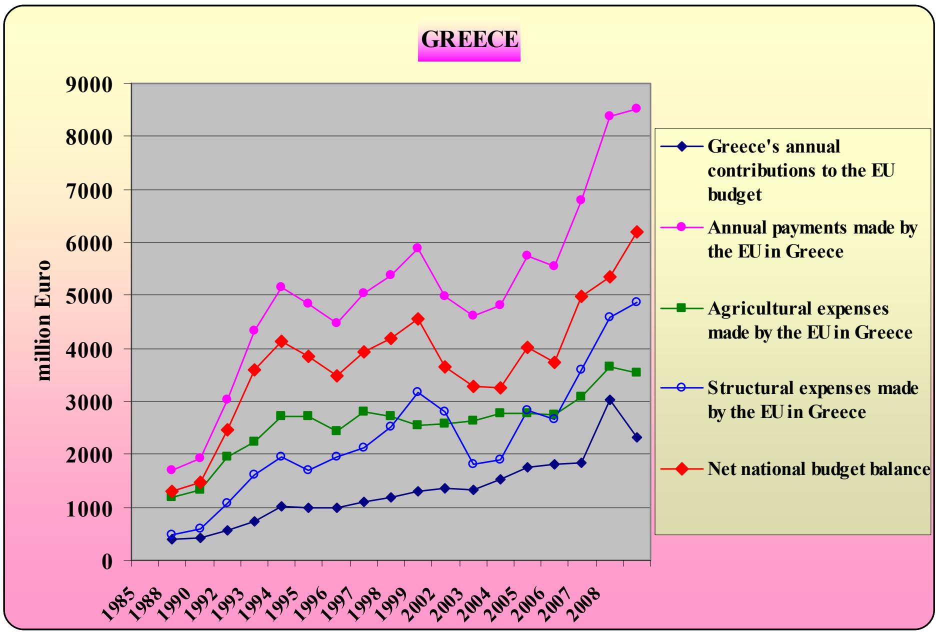
Source: data processed by the author according to the annual reports of the European Court of Auditors

The membership of Greece to the European Union had an impressively positive impact on this country.

As one can remark in chart no. 2., Greece was and still is one of the greatest net contributors to the Community general budget having registered a positive net balance generally of 3,16 billion ECU/year during the period 1985-1997 and of 4,34 billion Euro/year during the period 1998-2008, due to the great amount of agricultural and structural expenses, having an increasing tendency, made by the EU on the territory of Greece, a country whose GDP/inhabitant is still currently under the European average.

[2] Eleanor E. Zeff& Ellen B. Pirro, *The European Union and the member states,* Lynne Rienner Publishers, 2002, London, pag.96-97

Chart no. 2. *The evolution of the contributions made by Greece to the EU budget, of the payments made the EU on the territory of Greece and the budgetary net balance of Greece during the period 1985-2009*



Source: data processed by the author according to the Annual Reports of the European Court of Auditors

The current economic crisis had a devastating impact on the Greek economy, generating among others, a great public debt, the significant increase of the budgetary deficit from 5% in 2008 to 12,7% in 2009.

The ministers of finance from the eurozone and the International Monetary Fund ratified at the beginning of May 2010, a financial rescue package for Greece counting an amount of 110 billion Euros for the following 3 years and, in exchange, the Greek government assumed austerity measures of an amount of 30 billion Euros. Thus, under the current circumstances, we can admit that the experience of Greece within the European Union and the eurozone are unenviable.

Regarding the last enlargement wave, including the ten Central and Eastern European countries, it has overcharged the Community general budget with an amount of 40 billion Euros during the period 2004-2006, subtracting 12 billion Euros which represent the states´ own contributions. The amount meant to the agriculture represents 24% of the total sum (9,8 billion Euros, half of it meant to rural development), while the structural shares (infrastructure and regional development) represent 53% of the expenses (21,8 billion Euros).

The European Union has never integrated so many countries at once before, moreover so many countries with such a poor level of development in comparison with the level of the other member states (less than the half of the Community´s average), provoking certain exceptional regional disparities.

The solution for economic catch-up consists in the judicious use of the structural funds in order to generate a strong economic increase allowing the progressive absorption of the unemployment and excessive work force in the agricultural area and rural environment, trying to reproduce the effects of the economic and social cohesion policies, applied in 1998 in Ireland and South Europe[3].

Despite the fact that they haven´t benefited from the integrality of the Community policies during the period 2004-2007, the EU new member states have been the net beneficiaries of the Community general budget, except from Cyprus, which has registered negative net balances of 50,5

[3] Adelina Băleanu *Impactul fondurilor structurale-aspecte calitative*, IER Study Collection, September 2007, pag.35

million Euros in 2007 and 39,5 million Euros in 2008. The first results of the investments made in the infrastructure and agricultural area, registered during the first four years post-adherence period, prove the fact that these community supports serve as an operating system of the modernization of the economies.

During the first two years of integration, both **Romania** and Bulgaria have been net beneficiaries of the Community general budget. Romania registered a positive net balance of 511,2 million Euros in 2007 and 1,44 billion Euros in 2008. At the same time, Bulgaria registered a positive net balance of 289,2 million Euros in 2007 and 598,6 million Euros in 2008. However, an alignment of the economic structures in Bulgaria and Romania, according to the model of the states in EU-15, seems still quite improbable for the near future.

Thus, all the member states seem to be affected by the European integration process. All of them are investing much in the integration process, in order to get armed for the purpose of defending their own interests at Community level. But the way the member states implement and formulate the community policy is still largely determined by national parameters, yet not the Community ones.

CHAPTER IV
EUROPEAN UNION´S INCOMES STRUCTURE AND EXPENSES ORIENTATION

The European Union´s effective incomes are made of the own resources assuring almost 99% of the European Union budget financing, and other income categories, such as different taxes, incomes proceeding from the institutions administration operation, resources resulting from penalties applied within the competition policy, incomes collected from certain services assured by the European Union, interests resulting from the payment delate and commissions and any other surpluses remained from the last years.

Statutory resources of the own resources system are established through the six Decisions of the EU Council, adopted unanimously and ratified by all member states. The total amount of the own resources necessary to financing the European Union budget is determined by the difference between the total expense and other incomes and it cannot exceed 1,24% of the European Union GNI.

The structure of the own resources system of the European Union budget is presently the following[4]:

1. **agricultural levies** and additional taxes foreseen within the common organization of the markets in the area of sugar and glucose, levied on the import of various agricultural products from third countries for the purpose of increasing the price at Community level and on the product as oversupply.
2. **duties**, proceeding from the implement of the common customs tariff of the value at customs unit of the imported products from third countries; they are collected by the customs authorities of each members states, they are deposited in the European Union budget, except from a 25% deduction representing collection fees;

The first two categories are known as the ″traditional own resources″.

3. **VAT resource**, being constituted from the payment by the member states of an amount equal to the VAT tax base, harmonized at Community level multiplied by the ″uniform rate″. The uniform rate is equal to the ″maximum rate″ minus a correction factor representing reduced payments made by Great Britain.

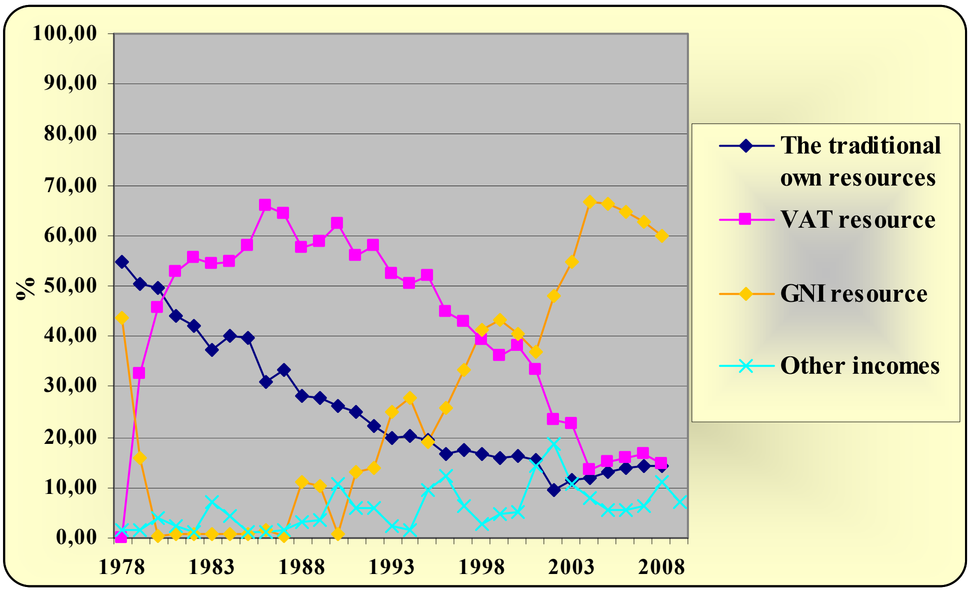
[4] Popa Diana Claudia**,** Sorina Coroiu, *The future of the European Union's proper resources,* paper published in the Annals of the University from Oradea, fascicle Economic Sciences, vol. II, TOM XVII 2008, page 477

4. **additional resources based on GNI**, created in 1988, resulting from the application of a uniform rate on the GNI of each member state, established each year within the budgetary procedure, according to the level of the budgetary incomes. This rate is established in such a manner it might finance by means of this new resource the difference between the annual expenses and the other own and various resources.

5. **the British rebate,** an atypical resource created in 1985, representing about 5% of the Community budget. The budgetary imbalance supported by the United Kingdom, due to the characteristics of this country´s economy, is calculated as a difference between UK´s percentage in the total amount of the EU expenses and its percentage in the total of the EU receipts coming from own resources based on VAT and GNI. The British rebate consists actually in the reimbursement of 66% of this budgetary imbalance by the United Kingdom, the correction costs being supported by the other 26 member states, according to the proportional ratio of their GNI within the Community GNI.

In chart no. 3 one can remark that in time, the GNI resource became the main resource of the European Union budget, representing 60,05% of the incomes of the European Union budget in 2008, in comparison with 11,02% in 1988. In exchange, since the introduction of the GNI resource, resources proceeding from VAT registered a continual decrease as percentage in their total incomes, representing 14,78% in 2008, in comparison with 57,53% in 1988. The share of the traditional own resources has also continually decreased from 68,65% in 1977 to only 14,21% of the incomes in 2008.

Chart no. 3. *The evolution of the EU´s effective incomes, by categories during the period 1978-2008 (%)*



Source: data processed by the author according to the Annual Reports of the European Court of Auditors

The correction mechanism made in favor of the United Kingdom reduced considerably the simplicity and the transparency of the European Union´s own resources system. This system of reasoning, together with the increasing focus on a strictly ″accounting″ approach pursuing especially to maximize earnings lead to tensions between the member states and animated a public debate concerning EU expenses and the benefits of the status as member state.

Romania´s contribution to the European Union budget was 56,56 Euros/inhabitant in 2008, being the last but one as size among all member states (only Bulgaria contributed with a less amount, 47,6 Euros/inhabitant). On the opposite site we can find the citizens of the rich states, with a small population, having made the greatest contribution to the EU budget: the Luxembourger with

536 Euro/inhabitant, the Belgian with 434 Euro, the Dutch with 407 Euro and the Swedish with 352 Euro.

The system of own resources tries to assure fair contributions coming from the member states, which shall reflect the economic power, prosperity and thus their contributive capacity. However, it is not a perfect system. Great number of adjustments are necessary to maintain a balance between the capacity of payment and the effective contribution.

A particular attention has been accorded to the financing opportunities of the European Union through a **Community tax**.

The financing of the European Union through a Community tax, put in the charge of the contributors, yet not the public treasuries of the member states represent an old issue, but controversies keep continue also at present day.

The objective is not to create a new resource added to the former ones, but to replace a contributive system based on the member states with another one based directly on the contributors. This new resource doesn´t exclude the maintainance of traditional own resources constituted from customs duties and agricultural prelevations.

Two solutions have been outlined[5]:

- creation of a new tax on common basis: several political inconveniences accompany this solution and a new tax would certainly be unpopular;
- foundation on an existing tax: this should exist in each member state and its calculation basis should be harmonized at Union level.

The instituional (especially the unanimity regulation of the member states resumed in the Treaty of Lisbon), technical and political (fear from federalism and a budgetary excess) obstacles are still in great number and the introduction of such a resource appears quite unrealistic on medium term.

The actual system is confused, but acceptable, because the states can master the competences. The Community tax probably won´t become an acceptable necessity but only when certain competences of the member states (such as the defence) will be transfered to a single authority of the Union.

The European Union annual budget is created in such a manner it may comprise the credit allocation in the categories of approved expenses, respecting the thersholds established by financial perspectives, pointing out the maximum extent and the anticipated expenditure structure of the European Union.

The main categories of expenses made through the European Union budget are: expenses for agricultural guarantee and rural development, strucural expenses, internal expenses, administrative expenses, expenses meant to finance foreign shares[6].

The expenses for agricultural guarantee and rural development occupied the first place since 1962 within the European Union general budget and they are meant to complete the supports allocated by the member states to the agricultural producers in the Community espace, to whom the Union engaged itself to assure a certain level of prices for the products offered on the market. The evolution of the proportion of agricultural guarantee expenses within the total expenses of the European Union budget is spectacular: from 13,98/ in 1965 they increased to 91,54% in 1970, in 1990 they decreased to 57,76%, in 2000 they continued to decrease and in 2008 they reached 47,03%.

The strucural expenses are on the second place within the European Union budget, their share in the total amount of budgetary expenses evoluating as follows: from 3,51% in 1965 they increased

[5] Constantin Tulai & *Diana Claudia Popa - Oportunitatea finanțării Uniunii Europene printr-un impozit unic comunitar*, Review Curierul Fiscal no.8/2007, page 33, Ed. Beck.

[6] Sabău-Popa Claudia Diana**,** Cociuba Mihai, Coroiu Sorina Ioana *European Union´s incomes structure and expenses orientation. Retrospective and prospective study***,** the volume of the 10th international conference *Finanțele și stabilitatea economică în contextul crizei financiare* from 11-12 December 2009**,** Bucarest, suplement ECTAP, pag. 122

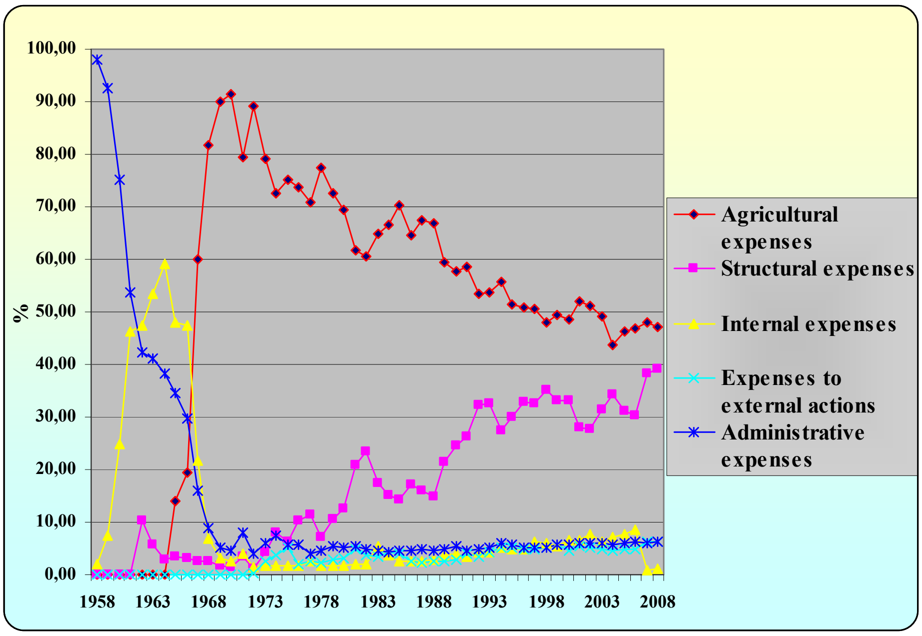
to 24,7% in 1990, reaching 33,11% in 2000 and continuing to increase to 39,14% in 2008. During the last decade of the last century, the structural shares were directed expecially towards Greece, Ireland, Spain and Portugal.

The internal expenses concern mainly the support of some programs meant to the youth, to the assurance of the energy within the Community espace, to the harmonization of internal markets, to research and technology development. From the multiannual analysis of the European Union budget, it results the fact that these expenses registered a slight increase from 2,6% in 1977 to 5,98% in 1995, reaching the percentage of 8,46% in 2006.

The expenses meant to finance foreign shares regard the financing of the activities initiated by the European Union, being carried on for the purpose of collaboration development with the third countries, both from Central and Eastern Europe and states from Asia, Latin America and Africa. These expenses generally increase only for political reasons. The trend in share of these expenses in the total amount of the Community general budget is the following: from 2,51% in 1977 they increased to 5,15% in 1995 and since then they are relatively steady.

The administrative expenses are mostly absorbed by the European Commission. During the period 1968-2000, the effective number of the officials employed in the Community bodies tripled, reaching from 9000 to about 30000 persons. These expenses were during the last 15 years about 6% from the total expenses of the European Union.

Chart no. 4. *The evolution of the expenses made by the EU, in categories during the period 1958-2008 (%)*



Source: data processed by the author according to the Annual Reports of the European Court of Auditors

Romania is the tenth state in order of the size of funds allocations from the Community budget, benefiting in 2008 of 2 660.7 million Euro, representing 2,65% of the European Union total expenses.

The European Union budget is presently in a stage of fundamental restructuring, regulated by the changes of the priorities of economic policy, meant to respond to the evolution of certain endogenous factors, such as the enlargement or intensification of the integration process or of certain exogenous factors such as the increase of dependence on energy, of international work force migration or of climate changes.

Despite the fact that the actual financing system managed to provide enough resources for the financing of the Community budget, the debate concerning the possibility of its improvement continues.

In our opinion, it is absolutely necessary to reduce the share of the contributions based on GNI in total amount of the Community resources. It is also primary to remove the veto right of the member states, who menace to use it in order to give to Community decisions an orientation to their own national interests. These profound changes will probably need the amendments of the treaties.

The fundamental dilemma of the Union budget´s future hasn´t changed at all. The key question is whether it is possible to create and to finance a competitive European Union of a percentage of the member states´ GNI in the 21th century.

The duality according to which it is currently characterized the financial aspect of the European integration process can barely be maintained on long term, first of all, because the Monetary Union operates in accordance with the participation of 16 member states, while the eurozone members keep having a dominant position on their fiscal policies. The sustainance of a single currency needs the ccordination of the fiscal policy. The greatest challenge for the Community general budget would be the situation according to which no real convergence takes place between the countries participating to the Monetary Union[7]. Thus, we can admit that the Monetary Union´s future is similar to a ″time bomb″, being able to generate a significant reconsideration of the Community budget.

CHAPTER V
ADMINISTRATION OF COMMUNITY FUNDS AND THE EUROPEAN UNION´S EXTRABUDGETARY FINANCING INTRUMENTS

The expenses of the European Union budget is tied to the European common policies, its greatest part being allocated to the common agricultural policy (47,03% in 2008) and to the regional development policy (39,14%). The European Union´s common policies are elaborated and adopted by the Community institutions, being applicable on the entire territory of the Union.

The community funds, presented briefly in this chapter, are actually financing instruments of the European Union´s common policies and they form the most part of the expenses made from the European Union budget.

The European Union accords grants to candidate states through pre-adherence isntruments, having the role of both reducing the development gaps in comparison with the member states and assuring the acquaintance with the specific mechanisms of access and use of the structural funds.

Since January 2007, the Instrument for Pre-accession Assistance (IPA) replaces the financial Community programs and instruments meant to the candidate countries and the potential states to adherence, that is the PHARE, ISPA and SAPARD programs, the Western Balkans Financial Instrument CARDS and the financial instrument for Turkey. The projects and programs initiated before 2007 were gradually completed until 2010. For the current financial framework, the available financing support for IPA counts 11,5 billion Euro.

In our country, the Ministry of Public Finance carried out its role as national coordinator of the grants accorded to **Romania** by the European Union and its member states. The total amount of the grant accorded to Romania during the period 2000-2006 was considerable, counting 632 million Euro/year: 242 million Euro through the PHARE program, 151 million Euro through the SAPARD program and 239 million Euro through the ISPA program.

The Common Agricultural Policy (CAP) is among the first and most important common policies adopted by the European Union. During more than 50 years of existence, CAP passed through a continual process of adaptation, suffering important reforms.

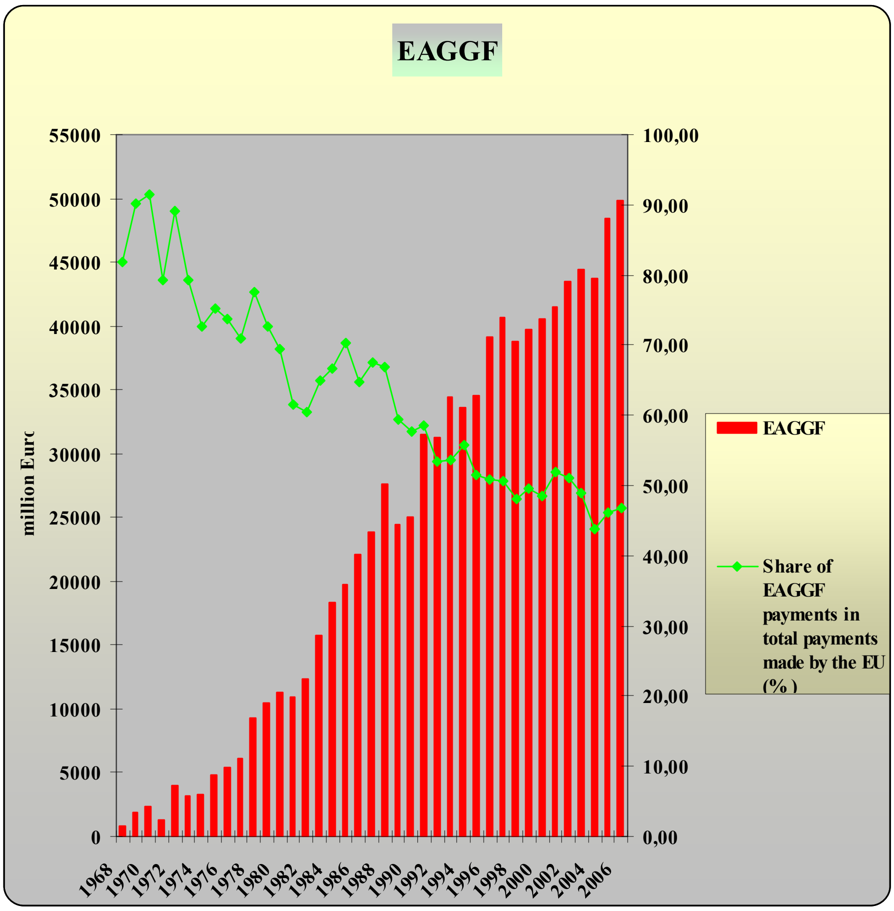
The measures of the common agricultural policy have been financed until the end of 2006 through the **European Agricultural Guidance and Guarantee Fund (EAGGF)** with its two

[7] Sabău-Popa Claudia Diana**,** Coroiu Sorina Ioana**,** *Debates on the future budget of the European Union***,** paper published in the Annals of the University Tibiscus, Series Economic Sciences, volume XV/2009, page 160

sections: the section of Guarantee and the section of Guidance. The selection of the projects proposed by the final beneficiaries was carried out at decentralized level by the national/regional competent authorities of each member state. An important aspect represents the fact that, in comparison with the market measures, the rural development measures need the co-financing of the member states.

In chart no. 5. we can remark that the EAGGF payments evoluated in the direction of a constant and continuous increase in amount during the period 1962-2006. If in 1970 the EAGGF payments were of 2 366.8 million count units, representing 91,54% of the European Union´s expenses, in 2006 these payments counted 49 798.8 million Euro, representing 46,73% of the total of the European Union´s expenses.

Chart no. 5. *The evolution of the payments made by the EAGGF*



Source: data processed by the author according to the Annual Reports of the European Court of Auditors

Since 2007, two new funds, implemented through the Council Regulation no. 1290 from the 21st of June 2005: the European Agricultural Guarantee Fund (EAGF) (80% of the credits meant to CAP) and the European Agricultural Fund for Rural Development (EAFRD) (20%) finances the Common Agricultural Policy. Even if the European Commission is responsible for the administration of the two funds, it is not the Commission who affects the direct payments meant to the beneficiaries, but the member states.

The current reform of the common agricultural policy regards both the ″technical simplification″, supposing the review of the legal framework, of the administrative procedures and of the administration mechanisms in order to rationalize and optimize the relation expenses-benefits, and the ″simplification of the common agricultural policy″, concerning the reduction of this policy´s complexion by means of the improvement of the agricultural support and the development of the instruments for rural development policy.

Irrespective of the coherence and quality of different regulations, the restructuration process would last unavoidably a certain period and it is hardly probable that new member state shall be competitive since the very moment until 2013.

At Community level, there exist an entire debate regarding the reform of the common agricultural policy, being outlined three groups: the group of the contributors, the group of the beneficiaries and the group of the conservative. Germany, the first net contributor to the European Union budget desires a reduction of the agricultural expenses and a profound reform of the common agricultural policy, Sweden, Denmark, Holland, hte United Kingdom also reinforcing the idea of budgetary reorientation. France, Austria, Belgium, Luxemburg, Spain, Ireland, Italy, Portugal are beneficiary member states of these policies defending the maintainance of the agricultural expenses amount[8]. The conservative member states are supporters of the ″status-quo″ and they found their position on the principle of the necessity of organization of agricultural and alimentary products in order to face the increase and volatility of prices and the effect of the economic crisis.

In our own opinion, the sustaining instrument of the European agriculture for the future financial perspective should be created so that it may satisfy the short term objectives of minimum income, as well as those for long term of the modernization of the rural area in the Central and Eastern European countries, who have adhered to the EU on the 1st May of 2004, including also Romania and Bulgaria.

Romania, as the seventh state as size (having a population of 21,5 million inhabitants in 2009) and as agricultural surface (14,7 million ha in 2009 and 61,7% of the territory of Romania) between the European Union´s member states, became an important player within the negotiations concerning the reform of the common agricultural policy, being among the most interested member states to maintain the agricultural expenses at their actual level.

The agriculture of our country is characterized by an excessively high number of small and very small farms, each of them having several plots which represent also the main problem of the Romanian agriculture.

The direct payments made by the European Union budget to the farmers of our country have been made only by the end of 2007, with a certain delate related to the solution of some problems of the Integrated Administration and Control System.

In 2007, Romania received from the European Union budget meant to the common agricultural policy 24,2 million Euro and in 2008 1 060.5 million Euro. Counting as absolute amounts, in 2008 Romania was the twelfth beneficiary of the Community budgetary amounts meant to the agriculture in 2008, France occupying the first place.

For the countries having adhered to the Union in 2004, the first six years of application of the common agricultural policy have been generally considered a major success, but in the case of Romania this issue is not at all obvious. After three years since the adherence, the situation of the agrifood sector hasn´t improved significantly, yet slight signs of approach to the European agricultural models are visible. For this reason Romania must be an active participant to the debates regarding the reform of the common agricultural policy and to look for allies for proposal serving the best way possbile the structure and the Romania agricultural specific feature.

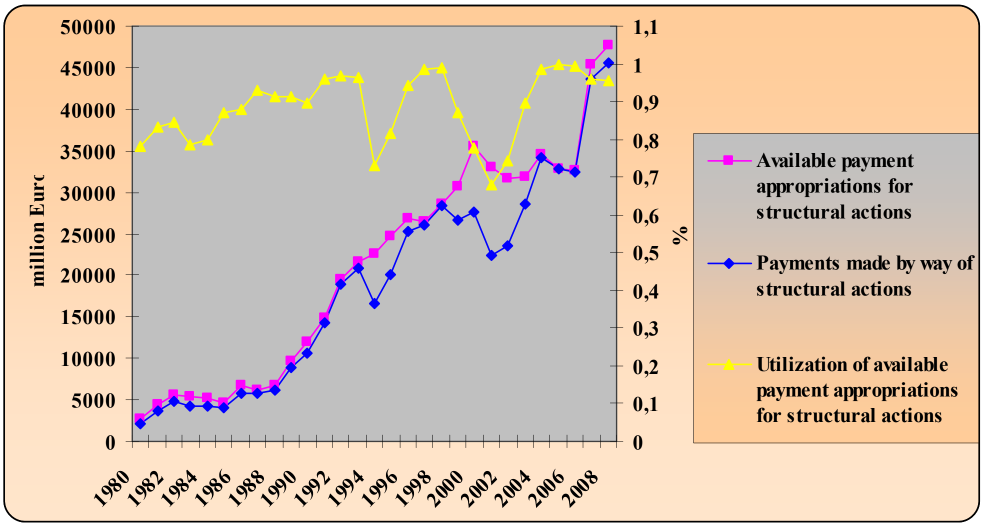
The regional development policy refers to the development of the regions within hte European Union and bases on the financial solidarity, allowing the transfer of more than 33% of the European Union budget, supplied mostly by the richest member states towards the defavoured regions.

During the period 2007-2013, the expenses for the regional development will represent 47% of the European Union budget, that is about 385 billion Euro. The attention is focused on the Central and Eastern European member states; thus, the 12 countries having adhered in 2004 and 2007 will receive 51% of the total budget allocated to the regional development policy for the period 2007-2013, yet these represent less than the quarter of the total EU population.

[8] Popa Diana Claudia, *The future of the Common Agricultural Policy*, lucrare publicată în Analele Universitatii Constantin Brâncuşi din Tg-Jiu Nr.1/2008, ISSN 1842-4856, Editura Academica Brâncuşi.

The regional development policy is financed through the strutcural funds: the **European Regional Development Fund and the European Social Fund and Cohesion Fund**. The less developed regions or those affected by natural disasters may resort to other grants as well, for exemple by means of the European Investment Bank or the funds meant particularly for the reconstruction of the area affected by natural disasters, such as the **European Union Solidarity Fund**.

Chart no. 6. *The evolution of the expenses for the regional development during the period 1980-2008*



Source: data processed by the author according to the Reports of the European Court of Auditors

In chart no. 6. it is represented the evolution of the payments made by the European Union as structural expenses, in comparison with the payment loans available for structural shares. If until 1990, the absorption grade of the structural funds situated on average under 90%, since 1991 it exceeds this threshold. In 1994, this grade has situated at a level of 73%, in 2000 at 77%, in 2001 at 68% and in 2002 at 74%.

The conclusion is that until the present day, the regional development policy of the European Union has as effect the efficient, economic and social development of the late regions. The most spectacular exemples in this sense are Ireland and Greece, who have known an important increase of the standard of living after the process of adherence to the EU.

However, we must underline the fact that regional disparities within the European Union still persist, becoming even more emphasized at the moment of the adherence to the Union in 2004 and 2007 of some states, most of them being at an inferior level of development than the European average. The differences between the regions may have various causes, such as the geographical position, the social-economic changes and/or the former centralized economic systems. These development differences create certain tensions between the states having benefited earlier from structural funds and the new member states, because the financings, according to the regulations, must be directed especially to the latest ones.

Having as starting point a GDP/inhabitant of 41,6% of the European average in 2006, Romania proposed to use the structural assistance to increase the GDP with a total percentage of 15% during the period 2007-2013 and to create about 200000 employments.

The total structural assistance allocated by the European Union to Romania is 19.67 billion Euro, of which 12.67 billion Euro represent Structural Funds within the Convergence objective, 6,55 billion Euro are allocated through the Cohesion Fund and 0,45 billion Euro are allocated to the objective of European Territorial Cooperation. Romania occupies the last but one place among the Central and Eastern European member states, with a financial structural assistance of only 911 Euro/inhabitant.

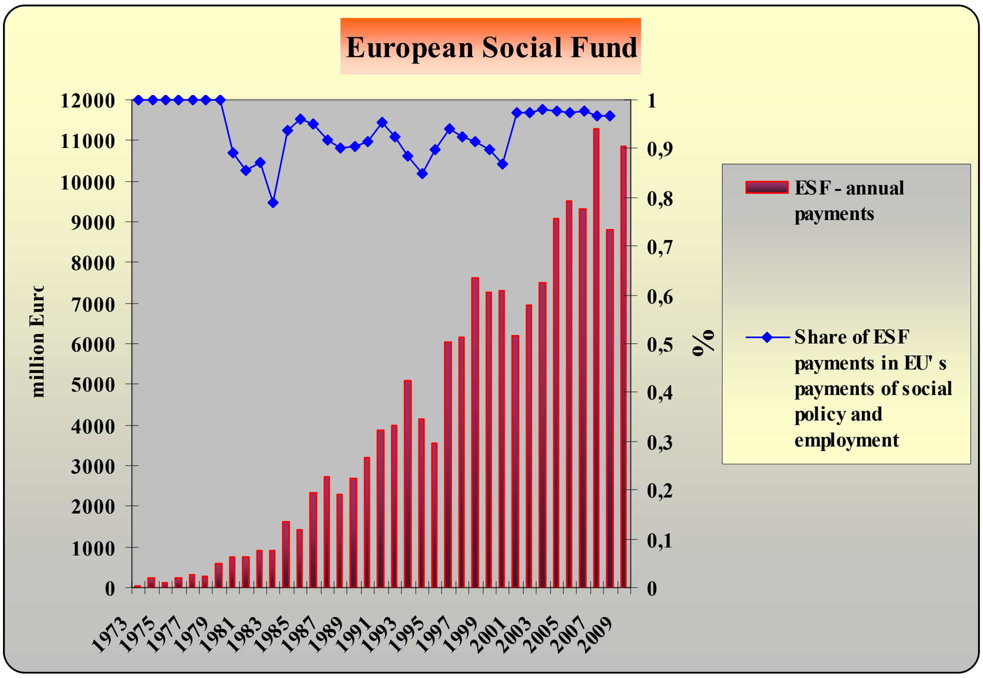
After 3 and a half year since the adherence to the European Union, Romania has one of the most reduced degree of absorption of the structural and cohesion funds within the EU-27, of only 10,10%. The only precise indicator to quantify the real level of absorption of the structural and cohesion funds is the relation the effective payments made by the beneficiaries and the available allocation for a certain period.

The primary priority for the Romanian government represents currently the improvement of the access and implement system for the purpose of speeding up the absorption of the Community funds, to assure a rapid infusion of the capital in the economy in order to diminish the effects of the economic crisis, to facilitate the realization of some essential investments at national, regional and local level, as well as to avoid automatic cancellation of the amounts allocated to Romania. The methods by means of which these objectives could be reached might be the following: improvement of the administrative capacity in order to increase the projects elligibility degree, establishment of shorter terms of evaluation and response to the financing requests, creation of public-private partnerships, use of the expertize of the commercial banks to access Community funds, assurance of an adequate cofinancing level both from public and own and attracted private sources.

The **European Social Fund,** one of the structural funds, is the main instrument of the EU employment and social policy, having as major objective the prevention and control of the unemployment by promoting measures facilitating the acces to employment market, assuring the equality of chances, the professional qualification and creation of new employments. It is founded on the principle of cofinancing and shared administration and the European Union´s financial support may vary between 50% and 85% of the total expenses of interventions.

In chart no. 7. one may see that the European Social Fund is the most important financing instrument of the actions of the European Union´s employment and social policy, representing about 90% of the payments of this policy.

Chart no. 7. *The evolution of the annual payments by ESF during the period 1973-2009*



Source: data processed by the author according to the Reports of the European Court of Auditors and to the European Union´s annual budgets

During the program period 2007-2013, **Romania** will benefit from an ESF budget of 3,68 billion Euro, with a full cofinancing from the public budgets counting an amount of 651 million Euro.

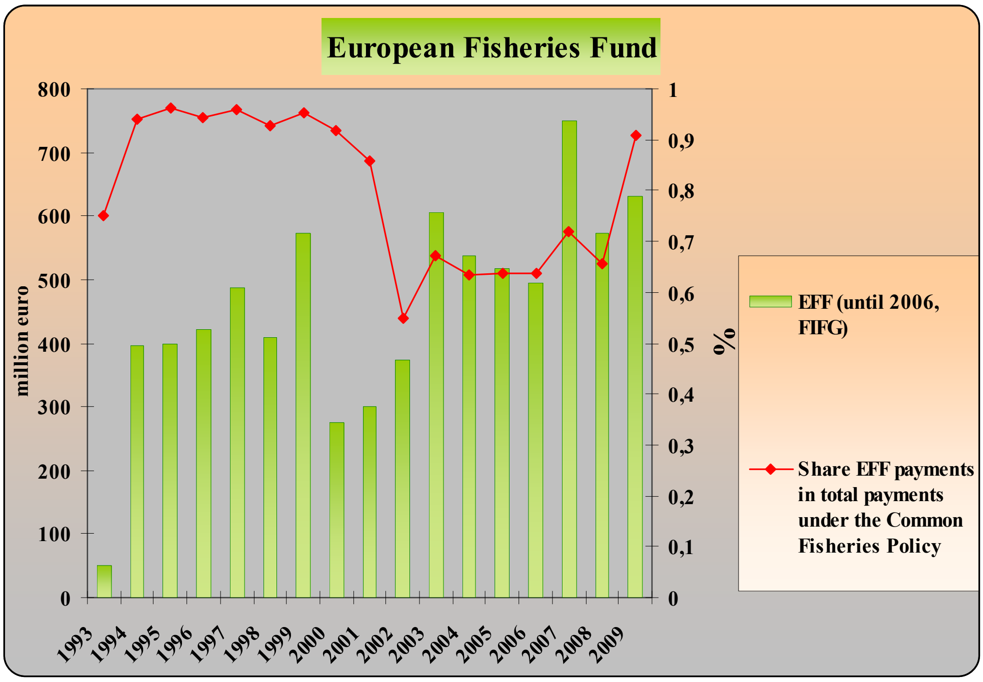
The Financial Instrument for Fisheries Guidance (FIFG), having covered the Community programs 1994-1999 and 2000-2006, contributed to realize both the regional development policy and the fisheries common policy.

Since the 1st of January 2007, the European Fisheries Fund (EFF) replaces FIFG. EFF is managed alike the structural funds. The fund having a total budget of about 4,3 billion Euro for seven years, supports the European fisheries and aquaculture area in its effort to adapt a fleet , whose competitive feature must be consolidates, and encourages the application of some measures meant to protect and to improve the environment.

The financing is presently directed in a measure of 75,55% to ″convergence″ regions, whose economic situation is under the European average. In the present program period, the greatest beneficiary of the European Fisheries Fund is Spain (26% of EFF), followed by Poland (17% of EFF) and Italy (10%). Romania will receive 5,35% of the EFF allocated budget, directed entirely to ″convergence″ regions.

In chart no. 8. it is presented the evolution of the annual payments made from the main financing instrument of the fisheries common policy, EFF, representing on average 80% of the total amount of payments made by the European Union within the fisheries common policy.

Chart no. 8. *The evolution of the annual payments of EFF during the period 1993-2009*



Source: data processed by the author according to the Reports of the European Court of Auditors and to the European Union´s annual budgets

During the period 1993-2009, the annual payments made within the fisheries common policy represented during the same period 0,66% of the total payments made by the European Union to the member states, an insignificant percentage reflecting the reduced degree of importance of this policy within the European Union´s common policies.

To analyse the impact on the economic increase of the payments made by the European Union on the territory of the member states we chose to create a vector autoregressive model (VAR) with the support of an open-source software program for econometric analysis Gretl[9].

[9] www.gretl.sourceforge.net

The analysis has been made on the base of the annual data provided by Eurostat and the European Court of Auditors and there have been focused on four member states, net beneficiaries until present day: Ireland (1986-2008), Greece (1983-2008), Spain (1988-2008), Portugal (1988-2008).

The VAR model can be described as a vector moving average and it allows studying the impact of a shock on the evolution of the dependent variable. In the case of a VAR model with two variables, the evolution of the variable *x* will be influenceable by former values (*lags*) of *x*, as well as of current and former values of *y*. We also supposed that *y* is influenced by its *lags*, as well as of current and former values of *x*. The variable *x* is, in this case, the variation of the total payments of the European Union on the territory of a member state (d_total peyments) and variable *y* is the variation of the GDP of the respective state (d_gdp).

The equations of the VAR moder are the following:

$$\mathbf{x_t=a_{10}+ a_{11}* x_{t-1}+ a_{12}* y_{t-1}+e_{1t}}$$

$$\mathbf{y_t=a_{20}+ a_{21}* x_{t-1}+ a_{22}* y_{t -1}+e_{2t}}$$

For testing the stationarity we used the Augmented Dickey Fuller test.

Table no. 1 *ADF test*

Member state	F- Statistically	Probability	Stationary Series
Ireland DTP	-4.08	0.004755	Yes, in difference
Ireland DGDP	-1.82159	0.06595	Yes, in difference
Greece DTP	-4.72937	0.0008646	Yes, in difference
Greece DGDP	-6.28828	0.0001199	Yes, in difference
Spain DTP	-4.35994	0.0001	Yes, in difference
Spain GDP	-1.23937	0.1909	Yes, in difference
Portugal TP	-3.0097	0.004526	Yes, in difference
Portugal GDP	-3.92165	0.007491	Yes, in difference

The ADF test in the case of data series d_total payments and d_gdp shows that the processes are stationary and thus it is possible to pass to the realization of the VAR models.

Analysing the decomposition variance defining at what extent a certain variable may explain the evolution of another variable, we can remark that the variance of the European Union´s total payments on the territory of the member states is under 10% of the GDP variance (in some cases even under 5%). Among the four member states, the increase of the GDP of Ireland, a country which in 2008 had a GDP/inhabitant of 135% of the Community average, was the most influenced by the European Union´s payments on the Irish territory. In Greece, a country which in 2008 had a GDP/inhabitant of 94% of the Community average, the European Union´s payments on its territory had the less influence on the GDP variance.

Table no. 2 *VAR Models*

Member state	R^2	Influence of the variance DTP on DGDP	Analyzed period
Ireland	Equation 1: 0,260 Equation 2: 0,175	Maximum 9,8%	1986-2008
Greece	Equation 1: 0,103 Equation 2: 0,151	Maximum 3,5%	1983-2008
Spain	Equation 1: 0,533 Equation 2: 0,111	Maximum 6,9%	1988-2008
Portugal	Equation 1: 0,252 Equation 2: 0,547	Maximum 9,5%	1988-2008

The analysis of the function impulse answer shows that after a 3-5 years period, the influence between the variables falls to zero, and in the first years it is low in comparison with the values of series. All these remarks consolidate the conclusion that the influence of the Communtiy funds, that the member states benefit from, o the GDP evolution is low.

However, the study has also some limits. A such a limit represents the reduced number of observations, between 21-26, the measure error, the omitted variables because of the lack of relevant data. The data used were annual, because of the impossibility to access the trimestrial or monthly data. Moreover, the annual observations are few because of the fact that Greece adhered in 1981 and Spain and portugal in 1986.

For these reasons, the research will continue through the analysis of the relation between different types of Community funds and the economic increase, by the application of the HERMIN model on the member states. The HERMIN model is the type of model of an open economy having a Keynesian behavior of demand; the macroeconomic model is made of four sectors: production, services, agriculture and government sector. This model takes into account both the effects on short and long term and the spillover (domino) effects.

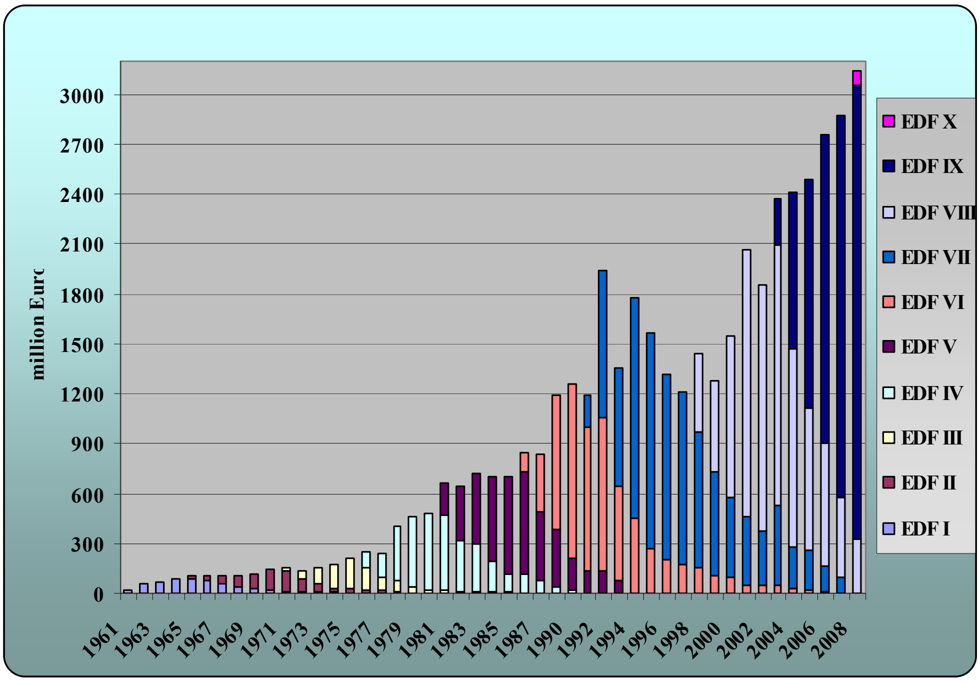
Regarding the European Union´s extrabudgetary financing instruments, the Commission is authorized by the Community to contract the loans on the financial markets, to finance the loans accorded to the member states, allowing to the beneficiaries to profit of the their advantageous conditions.

Moreover, the loans accorded by the European Investment Bank are guaranteed by the European Union. In case the borrower state cannot pay, the reimbursement funds will come into the charge of the Community general budget. This guarantee, covering between 65% and 100% of the value of loan, takes the form of a European Union´s payment of 9% of the value of main operations necessary for a guarantee fund.

The European Development Fund (EDF) was the main instrument used for financial and technical cooperation between the European Community and the developing African, Caribbean and Pacific states and regions with whom the member states kept special relations.

In chart no. 9. we can remark that during the period 1960-1980, the EDF payments to the group of ACP countries registered relatively modest values, under 500 million Euro/year, but since the successive enlargements of the European union they started to increase reaching 2067.9 million Euro in 2001.

Chart no. 9. *The evolution of the annual EDF payments during the period 1960-2008*



Source: data processed by the author according to the Annual Reports of the European Court of Auditors

The expenses and the incomes of the European Development Fund are executed outside the EU general budget, leading to the removal of the parliamentary approval concerning a considerable amount of expenses. The European Development Fund is financed by the EU member states according to a specific key contribution. The Commission asked continually that the European Development Fund might be included in the EU budget, in order to increase the public control of this support, as well as the transparency and the efficiency, but the Council of Ministers refused this idea.

The European Development Fund has neither legal personality, nor real autonomy, because its managers are departments of the European Commission. At the same time, the simultaneous implementation of several EDFs generate confusion and gives birth to critics[10]. However, the European Development Fund has also a distinctive financial policy and it proved its use.

CONCLUSIONS

The history of the European Union financing can be perceived as an implement failure of a European direct financing through fiscal resources, introduced and regulated by the Community institutions, recources which have often been considered the only ″authentic″ own resources, in comparison with the national contributions.

The European Union´s financing system favors a certain weakening of the budgetary responsibilities: while the increase of expenses seems to be a purpose of the European Commission and Parliament, the member states transform their net share into the reason of their positions regarding the common policies. The national parliaments have no word to say and the citizens ignoring the costs of Europe continue to consider the Community loans an always insufficient financing source.

The problem of net shares remains in the very centre of debates, but the national contributions present the necessary flexibility and transparency to respond to the member states´ needs to be able to temper the budgetary expense for belonging to the European Union and the volume of the transfers between the member states.

The regional development policy, whose measures are financed through structural and cohesion funds, founds on the co-financing principle, due to the fact that the resources allocated to this policy are more reduced than the internal government expenses having a greater impact on the economic and social cohesion. We consider that the Eruropean Union´s enlargement with 27 members requires the modification of the current system and the consolidation of the administrative capacity of the new member states, the regional development policy remaining a key problem of the Union.

The common agricultural policy, whose measures are financed through the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development have been in a continuous adaptation and change process, being considered a ″reform dependent policy″. Our opinion is that the actual reform of the common agricultural policy should take into account the specific features of the new member states and should assure the maintainance of the support for agriculture in real terms, so that it may allow to reach the convergence objective and to remove the efficiency and competition gaps between the new and the old member states.

The change of the European budgetary expenses structure through the strategy *Europe 2010*, skilfully doubled through internal policy measures, could hasten the change of the economic structure in Romania, because 30% of the active population working in the agriculture area represents a work force wasted in an area with low added value. Our opinion is that the Romanian economy must be prepared to attract Community funds through other investment categories, especially for the research-innovation activity, having an important potential and having become a priority in the European Union.

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[10] Sabau-Popa Claudia Diana *The management of the European Union's development*, paper published in Proceedings of the 14th International Business Information Management Association, Istanbul, 2010, paper 201

All member states are affected by the European integration process. All of them invest much in the integration process, in order to get prepaired to defend their own interests at Community level. But the way the member states implement and formulate the Community policy is still determined in greater measure by the national parameters, than the Community ones.

The main **contributions** of the paper are the following:

1. It brings conceptual clarifications regarding the European Union´s own resources, its budgetary procedure, the Community tax, the common policies and the Community funds.

2. It analyzes in a diagrammatic and descriptive manner the European Union´s payments on the territory of the member states, their contribution to the Community budget and their budgetary net share since the moment of adherence until the present day.

3. It analyzes the opportunity to introduce a ney Community tax, that shall replace the current contributions based on VAT and/or GNI. The conclusion is that the moment hasn´t arrive, considering provisions for medium term, to introduce a Community tax.

4. It elaborates a vector autoregressive model to analyze the co-integration of the European payments on the territory of the member states and their GDP, taking into account the situation of four member states, net beneficiaries since the moment of adherence until the present day: Ireland, Greece, Spain, Portugal. The conclusion is that the influence of the Community funds the member states benefit from on the evolution of their GDP is low. As a result, if the adherence to the European Union and to the eurozone is not prepaired from the point of view of structural adaptation of the concerned state´s economy and it is not accompanied by adequate national policies, it doesn´t guarantee the economic catch-up.

5. It analyzes the absorption capacity of the structural and cohesion funds in Romania, the absorption degree being very reduced at 10,1% on the 30th June 2010. The conclusion is that the act of facilitating the more rapid and complete absorption of the funds allocated to Romania could be made through the improvement of the administartive capacity, in order to increase the projects elligibility degree, to establish shorter terms for evaluation and answer to the financing demands and to assure an adequate level of the co-financing process both from public and attracted and own private resources.

6. It realizes a diagrammatic and descriptive analysis of the Community funds meant to the agriculture and the rural development, of the structural and cohesion funds, of the European fund for fisheries and the European fund for development, since the moment of the creation of those funds until present day.

The European Union won and lost at the moment of integration of the new Central and Eastern European member states. It won concerning the economic, social, cultural power in absolute terms. But it lost, especially on short term, regarding the average efficiency, the average productivity, its employment flexibility and macroeconomic stability. And after three years it will still be too soon to learn from this historical enlargement and to evaluate to what extent it contributed to the increase of the Community construction power, or on the contrary, it made it more fragile.

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