

Features and Challenges of the EU Budget
A Multidisciplinary Analysis

edited by Luca Zamparini and Ubaldo Villani-Lubelli,
University of Salento, Italy

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reviewed by Dimitrios V. Skiadas¹

For the last two years, in the aftermath of the financial crisis that hit the European Union (EU) and highlighted its structural deficiencies, with regard to formulating and implementing economic policies, and led to significant changes of its operation in the economic sector, a new debate has emerged, focusing on the Union's own budget. The end of the current programming period (2014-2020), along with the issues related to the future of the Union following the experience of the economic and migration crises, necessitated the start of an in-depth discussion regarding the structure, the operation and the contents of the EU Budget, in view of the new programming period (2021-2027) and the challenges to be faced during that period.

It is well known that the EU Budget constitutes a point of conflict and, at the same time, a point of balance in the institutional universe of the Union. The procedures of the substantive budget adoption, formal enactment and managerial implementation have always been at the centre of interest of the EU institutions involved namely the European Commission, the EU Council (either at head of state or government level, as well as at ministerial level) and the European Parliament, all of which are collectively known as the "Budgetary Authority". This should not come as a surprise, given the content of the authority over the EU Budget. According to the seminal work by Daniel Strasser on the Finances of the EU (first edition in 1975, latest in 1992), this authority entails four main rights (or powers): the right or power to create and collect revenue (through a system of own resources), the right or power to incur and pay expenditure, the right or power to adopt the budget (including the declaration of its adoption), and the right or power to control (audit) the implementation of the

¹ Dimitrios V. Skiadas, MJur, PhD, Jean Monnet Chair on EU Budgetary Governance and Audit, Dept. of International and European Studies, University of Macedonia, Thessaloniki, Greece.

budget. Acquiring each of these rights or powers has been the objective for each of the three constituent actors of the Budgetary Authority. The current distribution of these rights among the institutions involved, as described by EU primary and secondary law, is the result of lengthy negotiations over the years, which involved institutional and political conflicts, resulting, on several occasions, in actions before the Court of the EU, which, in turn, provided its own contribution to the relevant legal situation, through its case-law.

It is, therefore, obvious that undertaking an analysis of the EU Budget necessitates a multidisciplinary approach, which should entail historical, political, legal and economic aspects of this complicated, interinstitutional element of the Union's structure and operation. Such an analysis is included in the book edited by Luca Zamparini and Ubaldo Villani-Lubelli, two truly efficient academics at the University of Salento, in Lecce, Italy.

The aim of their book is to provide “*much more detailed and profound knowledge not only of the political and economic dynamics within the EU but also of the real level of European integration*” (p. 3), as this level is reflected through the EU Budget.

The material of the book is divided into two parts. The first part focuses on the historical and political aspects (“profiles”, as the editors call them) of the EU Budget, while the second part examines legal and economic aspects.

The first part of the book opens with Chapter 2, by Ubaldo Villani-Lubelli, which entails a historical analysis of the EU Budget, examining the budget as a driving instrument for the facilitation and, eventually, the achievement of European Integration, as a process based on values and principles that are financially supported in the form of initiatives financed through the EU Budget. This historical account highlights the *sui generis* nature of the Union's institutional structure, and the impact of this nature on its Budget, in terms of both contents and operation.

In Chapter 3, by Mario Kölling (of the Spanish National Distance Education University, Madrid, Spain), the analysis focuses on the structure of the EU Budget expenditure. The argument that the resources spent -despite several attempts for improvement- do not meet the challenges the Union has to face is prominently put forward. The theories behind the Budget's use as a political instrument are examined, thus including, in the relevant analysis, the role of the European Parliament and the newly established –at least in the EU Budget context– concept of conditionality. The chapter ends with examining the revenue side of the Budget, focusing on the necessity and the possibility of reforming the Union's own resource system and the impact of such a reform on transforming the EU Budget into a tool of resolving EU-wide issues instead of merely providing money to the Member States as compensation for their commitment to the Union.

Taking the analysis further, from the point at which the previous chapter stopped, Chapter 4, by Alessandro Isoni (of the University of Salento, Lecce, Italy), is based

on the concept which epitomizes the democratic nature of all states in Europe, at least with regard to budget approval: the active and substantive involvement of the parliamentary institution in the relevant proceedings. The degree of the European Parliament's involvement in the enactment of the EU Budget, despite successive improvements over the years, is not found to be satisfactory or in accordance with the standards of Western constitutional patterns, thus allowing for the continuation of the democratic deficit saga in the EU. The analysis then shifts to the contributions of Member States to the budget and includes suggestions for changes towards a more democratic process of approving and controlling the EU Budget.

The analysis of the democratic deficit with regard to the EU Budget also serves as a very useful introduction to the contents of Chapter 5, by Karsten Mause (of the University of Münster, Münster, Germany), which examines the understanding and perceptions of the European citizens concerning the EU Budget. EU taxpayers, being, in the final analysis, the real contributors to the EU Budget, are those who need to be convinced about the financial redistributionary effect and the solidarity element of the Budget function. The examination of the relevant findings demonstrates a noteworthy contradiction, since, while in several member states there is a significant tendency in public support for increasing the EU Budget (despite the 2007-2009 economic crisis), the overall attitude towards such an increase is still negative. The data presented in the chapter demonstrate that the so called "net beneficiary countries" (those whose receipts from the budget exceed their contributions), as well as those countries that received economic support in order to meet the effects of the crisis are in favour of an increase, as opposed to the approach of the so called "net contributor countries".

Chapter 6, by Robert Kaiser (of the University of Siegen, Siegen, Germany), examines the Multiannual Financial Framework mechanism (MFF), an institutional arrangement designed to provide sound financial management to EU finances, by taking into account the needs and burdens of member states in a longer term, while maintaining a degree of flexibility in order to accommodate changes that may be deemed necessary during the course of the specified time period. In analysing the experience of the Union's budgetary operation through the MFF so far, the chapter demonstrates a solid institutional course of developing medium- to long-term economic arrangements at EU level, as well as interesting features of negotiating political process to determine, at any given time, the contents of the MFF and the allocation of funds to various categories (chapters) of EU expenditure.

The final chapter of the first part of the book, Chapter 7, by Mateo Scotto (of the Villa Vigoni Research Centre, Menaggio, Italy), continues the analysis of the MFF, by examining, specifically, the political aspects of the negotiation for the forthcoming programming period, namely, the 2021-2027 MFF. The Chapter highlights the political disputes expressed during these proceedings, which reflect the different understanding that various member states have concerning the Union. The analysis

reveals the unstable nature of the intergovernmental structure of the EU, as this nature is reflected in the proceedings of establishing both the MFF and the EU Budget. Consequently, the chapter puts forward considerations that the current negotiation on the 2021-2027 MFF -particularly when taking into account the debate on the future revenue and expenditure of the Union- has diminished the importance of the MFF as a constraining factor in EU economic, social and political development, due to the restrained stances demonstrated by member states.

The second part of the book opens with Chapter 8, by Peter Becker (of the Stiftung Wissenschaft und Politik (SWP), Berlin, Germany), which examines the various flexibility tools financed by the EU Budget, such as the emergency aid fund, the solidarity fund, the globalisation adjustment fund, i.e., all instruments employed to secure the ability of member states to operate normally within the EU budgetary policy, in contrast to the budgetary principle of unity, which lies at the core of the EU Budget's operation for stability and predictability. Taking into account the operation of the MFF, the chapter highlights the need for the EU Budget to become more politically adaptable to the needs and challenges the Union has to face, and puts forward the suggestion that such a function may be served by a Eurozone budget, with democratic legitimisation.

Chapter 9, by Elsa Perreau (of Blomeyer y Sanz, Guadalajara, Spain) examines the budgetary principles, i.e., the rules enshrined in EU primary and secondary legislation, regarding the structure and operation of the EU Budget. In addition to the detailed analysis of these principles, the chapter entails an interesting account of four main risks to the good financial management of EU funds, pertaining the lack of legality and regularity, the non-reliability of accounts, the lack of sound financial management and the failure to produce added value at EU level. What is also examined is the external control by the European Court of Auditors, highlighting the challenges for monitoring and controlling the EU Budget's implementation. The following factors are identified as indicative causes for such challenges: the financial crisis, the migration crisis, the use of instrument financing only by participating member states and the fragmentation of the contents of the EU Budget itself.

In Chapter 10, by Luca Zamparini, an economic analysis takes place, focusing on linkages between growth and competitiveness, in order to explain the development rate and potential of economic convergence of various regions within the EU. The relevant performance of EU, as a whole, along with that of its regions, is compared to the performance of its major competitors worldwide, i.e., the USA and Japan, and the negative findings are attributed to the lack of a suitable innovation environment in Europe. The chapter also examines the role the EU Budget may play in supporting the growth potential of the EU and its member states (particularly the regions), by considering the expenditure committed during the last 30 years (1991-2018), as a driver for development.

The interrelation of the finances of the EU with the finances of its member states is further examined in Chapter 11, by Maurizia Pierri (of the University of Salento, Lecce, Italy), in which the implementation of the golden rule for balanced budgets is examined with regard to both the EU Budget and the national budgets of EU member states, particularly in the Eurozone. The complexity of the economic governance schemes established in Eurozone countries after the economic crisis, and the position and operation of the golden rule within them are examined, leading to confirming considerable differences in the countries' budgetary behaviours. The case studies of the chapter examine the countries that have adopted the golden rule at constitutional level.

The case of Brexit is the object of Chapter 12 analysis, by Margit Schratzenstaller (of the Austrian Institute of Economic Research, Vienna, Austria), which discusses the impact of the proceedings initiated by the result of the British referendum in 2016 in detail. The chapter is primarily concerned with the budgetary implications of Brexit for the EU and addresses it as an opportunity for far reaching reforms in the EU Budget, concerning both revenue and expenditure, in the form of either new own resources with a sustainability element or of new policy areas that need to receive financial support due to their cross-border nature and impact. The size and nature of the budgetary gap to be created by Brexit is examined with regard to several aspects, taking into account scenarios for a 'soft' or a 'hard' Brexit, while the proposal of the Commission for the 2021-2027 MFF is presented as an initial, but not final, reaction to these possibilities.

The final chapter of the book presents the conclusion reached by the editors, which seeks to provide a comparative overview of the features of the EU Budget identified in the book's Chapters, as well as to put together a coherent set of proposals for reforming the EU Budget as a tool for further enhancing the course of the European Integration process, in the form of "*a more substantial and values-oriented budget*", "*in order to put freedom, equality and rule of law at the political core of the European project*" and "*strengthen the EU with respect to possible future social, economic, political and humanitarian crises.*" (p.210)

Overall, this is a very interesting book, which puts forward for discussion all the matters arising from the current *status quo* of the EU Budget within the context of current developments in the EU. The book presents a consistent analysis, characterised by a step-by-step approach, as the various chapters unfold, while their contents have a truly noteworthy substantive consistency. The approach of successive stages of analysis adopted allows readers to locate the main points addressed not only with regard to their substance, but also with regard to their position in the overall examination of the EU Budget as a unique institutional, political, economic, even social instrument of the Union. The target-audience of the book may include students, academics, policy makers, EU professionals, as well as ordinary citizens who might like to have a well-

documented presentation of the tool used by the Union to collect and spend money, which, at the end of the day, is provided by themselves. After all, in a democratic regime, budgetary accountability in terms of procedure, instruments and substance, is a core element of the overall system. Given the EU's aspirations and declarations of being (or becoming) such a democratic entity, this book truly serves this purpose by explaining, through a multidisciplinary analysis, the features and the challenges of the EU Budget in the light of such a democratic perspective.