GENERAL ASPECTS ON THE 2014 – 2020 MULTIANNUAL FINANCIAL FRAMEWORK

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ABSTRACT: Multiannual Financial Framework 2014 - 2020 will have to ensure that the Union budget is based and orientated so that to ensure the elimination of negative effects impregnated by the financial and economic crisis on the economic, social and environmental pillars of sustainable development. These negative effects were felt by every community but with different intensities due to the ability of Member States to counter their propagation in all socio-economic aspects. Besides this, an important factor with implications to eliminate the consequences of the financial crisis was the financial dimension of the actions undertaken across Member States and also at the EU level to eliminate the negative effects of the crisis and ensure an upward trend to a sustainable growth. I believe that the EU budget must be a catalyst to ensure economic growth, environmental quality and jobs creation in Europe, especially by encouraging investment in productive and human capital.

KEY WORDS: multiannual financial framework, cost effectiveness, cost efficiency, expenditure economicity European Union budget, ex – ante and ex post conditionality's, annual implementation reports.

As a result of strengthening fiscal discipline in Europe, it is essential that the future Multiannual Financial Framework reflect the consolidation efforts that are made by the Member States to bring the deficit and public debt into a more sustainable path.

The objectives of ensure sustainable growth and providing employment will only resume if it pursued as a coherent and comprehensive approach, combining smart fiscal consolidation that maintains options for investment in future growth with sound macroeconomic policies and an active approach to employment workforce.

The 2014-2020 multiannual financial framework should ensure, in addition to planning an appropriate level of spending, also an accurate assessment of the potential effects arising as a result of the financial efforts of distribution of financial resources on specific objectives and actions. The concepts used for evaluation of expenditure spread over some objectives and actions are:[1]

- Cost effectiveness - measured by the ratio of the effects achieved and financial efforts involved;
- Cost efficiency - is given by the ratio of the observed and anticipated effects;
- expenditure economicity - compares the balance between efficacy and the degree of achievement of anticipated results.

I believe that achieving the three goals above, in respect to the evaluation of expenditures, is necessary to elaborate some common provisions in terms of supervision and evaluation, by:

- setting up an monitoring committee;
- developing the annual implementation reports to justify the actions and objectives financed at that time and the concrete results of spending the financial resources;
- annual review meetings;
- drafting reports on the progress in the implementation of the Partnership Contract;
- ex ante and ex post evaluation.

A step forward made by the European Commission to enhance the performance of using EU financial resources refers to the proposal on introducing new conditionality in order to ensure that the financing by EU funds creates strong incentives for beneficiary Member States to ensure the fulfillment of the Europe 2020 objectives and targets.

Conditionality will take the shape of conditions ex - ante, which must be met before the disbursement of funds and the conditions ex - post, which will provide financial supplementation by granting rebates on the basis of maximum performance. These actions proposed by the European Commission for the 2014-2020multiannual financial framework will ensure a better development of the funding programs and a better cooperation between different actors involved in the planning, execution and control of the objectives and actions that are financed through the allocations specified in the Community budget.

On 6 October 2011 the European Commission adopted a project for a legislative package which will be the new framework of EU Cohesion policy for 2014-2020. By collaborating with various specialists in the management of European funding, the European Commission agreed for a guidelines set by the Directorate General for Regional Policy through which it have been brought changes to the logical funding, which was introduced in 1999 in the Guidelines on the applicability of policies financing through European funds by the European Commission. The changes involved in the logical framework of this new 2014 - 2020 Multiannual Financial Framework are presented in the figures no. 1 and 2:

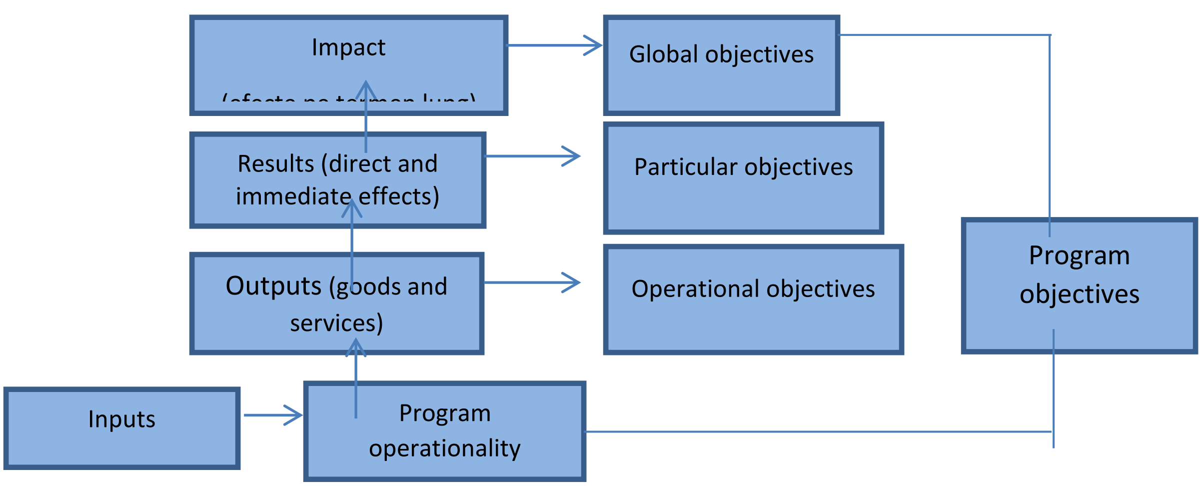

Fig. no. 1 - Logical Framework for European funding policy guidance - 1999/2013

Source: processed after the European Commission 2014+ Results indicators: Report on pilot tests in 23 Regions / OPS across 15 MS of the EU, January 2013, p. 6

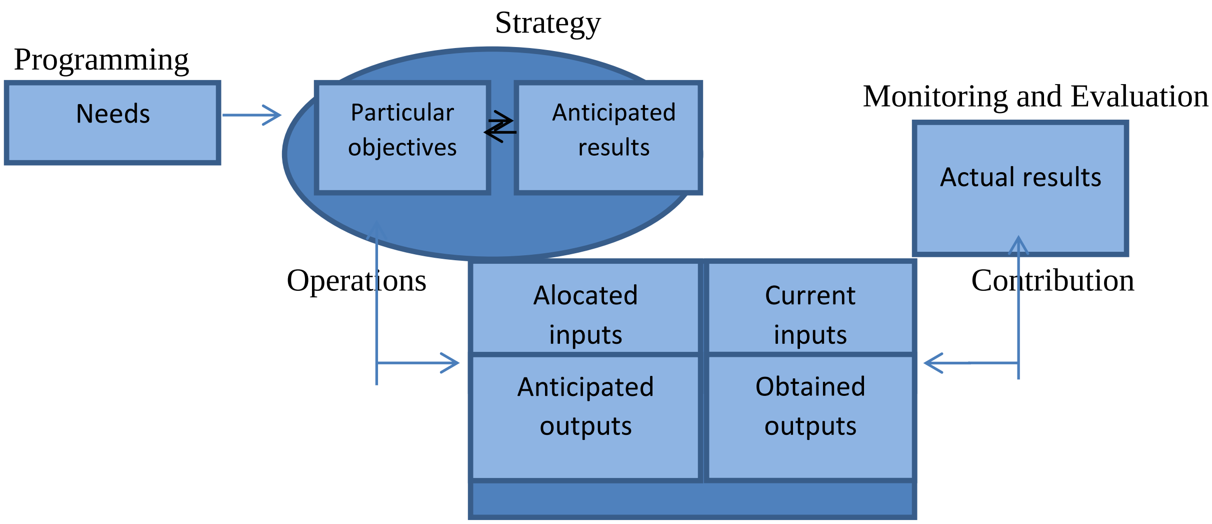

Fig. no.2- The new logical framework for European funding policy guidance, 2014 - 2020
Source: processed after the European Commission 2014+ Results indicators: Report on pilot tests in 23 Regions / OPS across 15 MS of the EU, January 2013, p. 7

The differences between the two schemes of the logical financing model relates especially to the fact that, under the traditional model was not made clear distinction between inputs, outputs, outcomes / results and the impact. Multiannual Financial Framework 2014 - 2020 will be characterized by a modern approach, characterized in that it performs an inter alia between allocation (expenses) financial resources (inputs) and achieving the planned results by enhancing monitoring and evaluation activities.

The actual results will depend on both the effectiveness of applied financial policy and the influence of other factors that affect the results (financial crisis, financing inability).

The multiannual financial framework should not be confused with the European Union budget for a period of seven years, this being a mechanism designed to provide forecasting multi-annual EU spending and, at the same time, to create a favorable framework for respecting strict budgetary discipline.

Through the multiannual financial framework are defined maximum amounts for each major spending area for the Union budget. In this context, every year, the European Parliament and the Council, representing the "budgetary authority" of the European Union should jointly determine the budget for the next year. In reality, the annual budget adopted always fall under the overall ceiling of the Multiannual Financial Framework.[2]

In my opinion, the multiannual financial framework is a spending plan that translates the priorities identified by the European Union in financial terms. This is not a forecast budget for a period of seven years, but is the basis for the annual budget exercise, through this being established the maximum amounts per year that can be shared by the European Union to different policy areas, while providing a framework for financial programming of the budget and ensuring discipline and predictability of EU expenditure.

I also believe that the multiannual financial framework can be viewed both as an expression of the priority areas identified in the European community and as a tool for budget planning, through which are identified and quantified value areas and actions to be funded. The fact that the annual budget of the European Union is drafted and adopted within the multiannual financial framework and the budgetary projections are lower than the expenditure ceilings contained therein, represents a strong argument that reinforces my view on that through the Multiannual Financial Framework is intended to ensure a balanced budget forecasts, ensured by maintaining a weak margins between the future financial allocations and those projected in the Union budget.

The new approach is less linear, but is in accordance with the reality of applying funding policy and the way it interacts with other policies and general developments in the context of programs. Also, this model is simpler than the previous logic for the following reasons: the desired results are identified more clearly than in the past - through an indicator with a baseline; the result may have a short-term or long-term or a direct or indirect effect, depending on the priority of context and the choices made by the programing authorities. The new approach certifies also the crucial role of monitoring and evaluation activities. Tracking expenditures relate to verify the results and changes in the outcome indicator when information is available. The assessment will focus on the policy contribution to actual results.

The European Commission proposed ex – ante conditionalities on both the statistical data management system specific objectives and actions and also in the result indicators. In respect of those, conditionality refers to the need to implement an effective system of result useful for monitoring progress to achieve planned results and to undertake impact assessment of that program.

As set out in the report prepared by the European Commission "Cohesion Policy 2014 - 2020" the necessity of strengthening the ex - ante conditionalities for European funds derives from the stringency of ensuring necessary conditions for an effective support, especially due to previous results which showed that" effectiveness of funded investment has been compromised in some instances by the deficiencies of national policy and by the regulatory and institutional frameworks"[3]

The ex - ante conditionalities are designed to boost the Member States which receive financial resources to attach particular importance to the performance and objectives of Europe 2020 Strategy. A total of 5% of the national budget of each Fund will be withdrawn and allocated, in the assessment intermediate performance, to those Member States whose programs have fully met their goals step.[4]

Regarding the applicability of ex – post c onditionalities, those can lead to a suspension or a cancellation of funds if the beneficiaries do not provide particular objectives fulfillment or generate poor partial results that would not allow achieving the program indicators.

The European Commission has proposed several changes to the way cohesion policy is designed and the implemented, namely: [5]

- Focus on Europe 2020 priorities of smart, sustainable and inclusive growth;
- Rewarding performance;
- Support integrated programming;
- Focusing on results - monitoring progress in terms of achieving agreed objectives;
- Strengthening territorial cohesion;
- Simplify the application of Community legislative framework regarding the grants.

The overall ceiling of commitments submitted by the Commission for 2014-2020 period is 1 033.2 billion euros, this amount being obtained by multiplying the amount allocated for 2013 according to the 2007-2013 Multiannual Financial Framework with 7 (the number of years covered by the 2014-2020 Multiannual Financial Framework). This ceiling represents 1.08% of EU GNI, compared to 1.12% for the current MFF. The ceiling for payment is equal to 1.03% of GNI (1.06% for 2007-2013). The new multiannual financial framework has been prepared having regard to a European Union of 28 Member States, because, since 2013 Croatia has joined the European Union and within its expenditures were grouped into six segments intended to reflect political priorities Union and provide the flexibility to support efficient allocation of resources.

Using the financial European grant will be more effective if they will achieve the correlation and full integration of the operating principles of the funds in the economic governance of the European Union and contributing to the implementation of the Europe 2020 strategy by involving all stakeholders at union, national, regional and local level.

In terms of geographic distribution of contributions, the new MFF 2014-2012 will use the same rules applied to previous financial program maintaining a distinction between less developed regions [6], transition regions [7] and the more developed regions to ensure concentrating funds according to gross domestic product (GDP).

In addition, it will create a safety measure for all regions that were eligible under the Convergence objective in the 2007-2013 period, as it will seek to ensure consolidation of economic, social and territorial cohesion within the European Union by correcting imbalances between regions.

They will be set minimum shares for the European Social Fund for each category of regions (25% for less developed regions, 40% for transition regions and 52% for more developed regions), resulting in a minimum overall share for the ESF of 25% Cohesion Policy budget, ie 84 billion euro.

Current state of absorption of Structural Funds and Cohesion demonstrates that many Member States have difficulties in absorbing a considerable amount of EU financial resources in a limited time. A major argument can be relied on to justify pretty low rate of absorption is strengthening the fiscal situation of some countries as a result of the measures they propose to eliminate the effects of the financial crisis, which generated financial impossibility of co - Participation in funding approved and contracted projects In order to facilitate the absorption of funds, the European Commission proposed a series of measures [8:]

- fix at 2.5% of GDP the capping rates for cohesion allocations;
- reducing financing rate at the level of each priority axis of operational programs at 75-85% in less developed regions and the outermost regions; 75% of European Territorial Cooperation programs; 60% in transition regions and 50% in more developed regions;
- Inclusion in the partnership contracts of certain conditions with regard to improving administrative capacity.

European Regional Development Fund will continue to follow ensuring strengthening economic growth, social and territorial cohesion within the European Union by correcting imbalances between its regions. European Regional Development Fund supports local and regional development to contribute to all thematic objectives, by setting detailed priorities to stress the following areas:

- R & D and innovation;
- Climate change and the transition to a low- carbon dioxide economy;

- Commercial support for SMEs;
- Telecommunications infrastructures, energy and transport;
- Enhancing institutional capacity and an efficient public administration;
- Sustainable urban development.

On 19 November 2013 the European Council adopted a regulation laying down the multiannual financial framework of the European Union for the period 2014-2020, marking the end of two and a half years of negotiations and allowing the new program of EU expenditure to be made implemented from 1st January 2014.

The European Council approved an overall financial ceiling of the Multiannual Financial Framework 2014 - 2020 of 959.988 billion euros, spread over five categories:

- Smart and inclusive growth: 47%
- Sustainable growth: natural resources: 39%
- Global Europe: 6%
- Administration: 6%
- Security and citizenship: 2%

• Ceiling commitment amounts to 1.00% of EU gross national income (GNI) compared to 1.12% for the 2007-2013 MFF.

• The ceiling for payments equivalent to 0.95% of EU gross national income (GNI) compared to 1.06% for 2007-2013.

Conclusions

The non-refundable financial support under the European Union is complex and varied, depending very much on institutions (funds and financial instruments) that ensure the financial assistance, but also on the development level of the member countries which receive EU non-refundable financial resources. I believe that non-reimbursable European funding can't compensate the absence of a national system of financing priority policies, but this could also serve as a catalyst to establish national mechanisms for funding and influence all national policies. In the future Multiannual Financial Framework the spending's should be allocated to ensure and sustain economic growth, employment, competitiveness and convergence, and ensure the realization of assumptions in all areas in accordance with the provisions and targets imposed and assumed through The Europe 2020 Strategy.

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[3] Raportul Comisiei Europene "Politica de coeziune 2014 –2020" - Investiţii în creştere economică şi ocuparea forţei de muncă, pag. 5

[4] Comisia Europeană, Results indicators 2014+: Report on pilot tests in 23 Regions/OPS across 15 MS of the EU, ianuarie 2013, pag. 6

[5] Raportul Comisiei Europene "Propunerile legislative privind politica de coeziune a UE: 2014–2020", pag. 3

[6] Această categorie se referă la acele regiuni al căror PIB pe cap de locuitor este mai mic de 90 % din PIB-ul mediu UE-27
[7] Această categorie va cuprinde toate regiunile cu un PIB pe cap de locuitor între 75 % şi 90 % din media UE-27.
[8] Document de lucru al serviciilor Comisiei, "Elemente ale unui cadru strategic comun 2014 – 2020 pentru Fondul European de Dezvoltare Regională, Fondul Social European, Fondul de Coeziune, Fondul European Agricol pentru Dezvoltare Rurală și Fondul European pentru Pescuit și Afaceri Maritime, Partea I, 2012, pag. 8