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## **MECHANISM OF BALANCING OF THE EUROPEAN UNION BUDGET**

Over the period of its more than half-a-century history the European Union (EU) developed reliable and effective mechanisms for financing its activities. Among them a system of own resources, an average-term budgetary planning (financial perspectives), interinstitutional agreements, compensations to some member-states of their negative net-balance in the common budget, balancing of the budgetary revenue and expenditure should be mentioned. All of them were or still are unprecedented innovative financial management decisions and this makes them quite interesting in terms of both: national budgetary process and a state participation in the international integration process. In this abstract we shall pay particular attention to one of those mechanisms — balancing of the budgetary revenue and expenditure that is running the budget entailing no deficit.

Article 310(1) of the Treaty on Functioning of the European Union (TFEU) states that budgetary revenue and expenditure shall be in balance [1, 181]. This norm provides into the EU budgetary system a principle of equilibrium, which is detailed and widened in the articles

14—15 of the EU Financial Regulation [5, 14—15]. Literary this principle means that expenditure charged to the budget must be covered with appropriate revenue. Also according to this principle the EU cannot incur debt in order to cover its expenditure [5, 14].

To meet these requirements a specific mechanism when during the budgetary procedure expenditure estimates surpass the revenue estimates was created. Because of this specific feature the EU budget is often called «budget of expenditure». When the European Commission (further — Commission) draws up a preliminary draft budget it adjusts the revenue against expenditure but not visa versa. This new instrument became operational since late 1980-th when a new kind of revenue was introduced by the Council Decision of 24 June 1988 [3] — a Gross National Income (GNI) based resource (initially the category of Gross National Product was used).

Today the GNI resource together with traditional own resources (customs duties and sugar levies) and Value Added Tax (VAT) based resource is one of the main revenue sources of the EU budget. It is made up by the application of a uniform rate (call rate) to the sum of all the Member States' GNIs calculated using the uniform methodology [2, 19]. The call rate is determined by the European Commission for each financial year taking into account the expected expenditure for this year and all other kinds of the expected budgetary revenue.

For example, in the preliminary draft budget for the financial year 2010 Commission estimated expenditure at EUR 122,32220641 billion. Revenue from the traditional own resources, VAT-based resource and miscellaneous revenue (surplus from the preceding financial year, revenue accruing from persons working for the institutions and other EU structures, interest on late payments and fines, contributions and refunds under the EU agreements and programmes etc) were correspondingly expected at the levels of EUR 14,2031, 13,950917375 and 1,421467341 billion. Hence, the need in additional resources is:  $122322206410 - (14203100000 + 13950917375 + 1421467341) = 92,746721694$  euros. Having divided this amount by the forecasted GNI of the EU member-states (EUR 11825,5626 billion) the uniform call rate for the GNI-based resource in 2010 is received to be equal to 0,0078429 [7, 188], that is the member-states will have to pay 0,78429 % of their forecasted GNI in 2010 to cover the lacking revenue in the common budget.

Since its application the GNI resource has become a keystone of the EU budgetary revenue system. Its share in the Community budget is constantly growing and was more than 76 % in 2010. This resource

insures stability of the budgetary system in average-term framework within the ceiling established for the own resources (revenue) to be paid by the member-states (as for 2011 it equals 1,23 % of the EU GNI). The GNI resource provides so called ex ante (preliminary) balancing of the budget.

Since almost all budgetary calculations are initially based on forecasted data available at the moment of the preliminary budget drafting the question of current and final balancing of the budget occurs. The indicators for VAT and GNI resources as well as the Great Britain correction are reconsidered once during a financial year. After that the budget for that year is amended in terms of the member-states budgetary contributions [6, 248].

Final balancing of the budget is carried mainly in the following financial year though it may last even longer. The balance of the financial year is determined by the actual outturn of revenue and expenditure. A surplus is carried over to the following budgetary year, thus reducing the amount of own resources needed in that year by means of a lower call rate for the GNI resource. A deficit would be likewise carried over, increasing the rate of call of GNI needed to balance the budget. A deficit is, however, exceptional and has occurred only three times, in 1977, 1984 and 1986.

The balance of a given financial year is made up of the difference between: 1) all the revenue collected in respect of that financial year and 2) payments made against appropriations for that financial year increased by the amount of appropriations for the same financial year carried over to the following year. To this difference is then added (or subtracted from it if the difference is negative) the net amount of appropriations carried over from the previous financial year that have been cancelled, together with some other items resulting from exchange rate variations [6, 247].

The precise rules for drawing up the balance of the financial year are laid down in Council Regulation (EC, Euratom) No 1150/2000 [4] and in Council Regulation (EC, Euratom) No 1605/2002 [5].

Thus, during its tens of years evolution the EU has managed to develop a budgetary mechanism that allows it to finance its policies, programs and measures through annual budgets that entail no deficit. The keys to this success are budgetary planning based on expenditure, introduction of a specific revenue source that covers the lacking revenue (GNI-based resource) and current and final budgetary balancing procedures. This experience is quite interesting in terms of provision of interstate integration processes with adequate financial resources — a problem that constantly increasing number of

international integration organizations deal with. In particular, such advanced integration formations as customs unions, single markets or economic unions would operate much more efficiently if they used expenditure-based budgetary planning and introduced revenue sources independent from any additional decisions of their member-states (own resources) and one of those sources was of a «deficit-covering» nature. Combining these budgetary innovations with introduction of an average-term financial planning and establishment of specialised budgetary structures that communicate well would only add, in our view, to the effects of integration.

With respect to national budgetary processes an expenditure-based planning and a «deficit-covering» type of revenue should be of particular interest. The first one will make it possible to estimate real social and economic needs in financial resources and base budgetary planning on them; the second — to meet those needs. Piloting of a «deficit-covering» type of budgetary revenue (revenues) could be conducted in different variations. It can be a preliminary identified order of taxes or levies that are activated (withdrawn) one after another according to annual changes in revenue from other sources and expenditure dynamics. Or a separate tax (taxes) (for example, excise duties, «luxury» taxes or other socially acceptable taxes, levies on low-elastic taxable objects) with flexible tax rate varying in relation to the same parameters.

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## **РОЛЬ ОПЛАТИ ПРАЦІ У ПРОМИСЛОВОМУ РОЗВИТКУ УКРАЇНИ**

Заробітна плата є основним джерелом доходів працівників і найсильнішим мотиватором розвитку трудового потенціалу більшості населення. Вона має зацікавлювати працівників у підвищенні ефективності праці, сприяти розвитку творчої активності. Потрібен новий, ринковий підхід до визначення сутності соціально-економічного значення заробітної плати, її організації, відсутність яких у перехідний період призвела до появи негативних тенденцій в оплаті праці. Ігнорування важливості оптимального відтворення робочої сили та відсутність ефективного стимулюючого механізму зумовили погіршення соціально-економічного стану основної частки населення. Заробітна плата стала своєрідним різ-