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Економіка Європейського Союзу

Методичні вказівки до вивчення курсу
(завдання для самостійної роботи)

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Пропонуються завдання для самостійної роботи з вивчення економіки країн Європейського Союзу. Завдання складено з урахуванням робочої програми навчальної дисципліни і спрямовано на самостійну роботу студентів переважно зі статистичними та аналітичними матеріалами.

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Вступ

Пропоновані методичні вказівки призначені для поглибленого вивчення курсу «Економіка Європейського Союзу» студентами 4 курсу факультету міжнародних відносин. Основою для розробки методичних вказівок стала робоча програма дисципліни, складена відповідно до місця та значення дисципліни за структурно-логічною схемою, передбаченою освітньо-професійною програмою бакалавра з напряму підготовки «Міжнародні економічні відносини».

Метою викладання навчальної дисципліни «Економіка Європейського Союзу» є формування знань про зміст, структуру соціально-економічної системи Європейського Союзу, особливості економіки ЄС як цілісного інтераційного утворення, вивчення закономірностей взаємодії національних економік в межах ЄС.

На досягнення зазначеної мети направлені такі завдання вивчення курсу: формування у студентів знань про сучасні проблеми та перспективи розвитку ЄС, його інституційного устрою та організаційно-економічного механізму функціонування, окремих сфер господарськоої системи, зокрема особливостей валютно-фінансвої системи, соціальної політики, напрямів державного соціально-економічного регулювання.

Завдання і матеріали для аналізу складені за останніми статистичними і фактичними даними, що відбивають зміни в розвитку економіки країн-членів Європейського Союзу, а також характеризують актуальні тенеденції розвитку спільних політик ЄС. Метою пропонованих завдань є розвиток у студентів уміння аналізувати і співставляти статистичні дані, порівнювати показники розвитку економік країн ЄС, розуміння структури і динаміки показників економічного розвитку.

Для вивчення тем та якісного виконання завдань необхідно вміти підбирати й аналізувати статистичні дані про макроекономічну ситуацію, а також працювати з аналітичнимим матеріалами. Студентам слід скористатися даними з сайту Євростат та Європейської окомісії.

Виконання завдань допоможе конкретизувати матеріали лекційного курсу і семінарських занять. Оцінювання виконання самостійної роботи передбачене під час модульно-контрольних робіт та екзамену.

Загальна характеристика економіки країн ЄС

Завдання 1.1. Відвідайте інтернет сторінку розділу Economies of the Member States та використовуючи представлену інформацію виконайте такі завдання:

1) *охарактеризуйте економічну ситуацію країн зони євро;*
2) *проведіть порівняльний аналіз стану економіки двох країн-сленів ЄС.*

Завдання необхідно виконати у вигляді мультимедійної презентації та особисто представити на практичному занятті.

Economies of the Member States [1]

Euro area

Belgium
Bulgaria
The Czech Republic
Denmark
Germany
Estonia
Ireland
Greece
Spain
France
Croatia
Italy
Cyprus
Latvia
Lithuania
Luxembourg
Hungary
Malta
The Netherlands
Austria
Poland
Portugal
Romania
Slovenia
Slovakia
Finland
Sweden
The United Kingdom

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[1] http://ec.europa.eu/economy_finance/eu/countries/index_en.htm

Завдання 1.2. Проаналізуйте викладений нижче матеріал і дайте письмові відповіді на питання:

1. *Охарактеризуйте динаміку основних макроекономічних показників країн-членів ЄС.*
2. *Які фактори сприяють економічному відновленню країн ЄС на сучасному етапі?*
3. *Назвіть основні цілі економічного розвитку країн ЄС до 2020 року.*

European economic outlook [2]

The Commission publishes macroeconomic forecasts for the EU and the Member States three times a year, in the spring (May), in the autumn (November) and in the winter (February). These forecasts are produced by the Directorate-General for Economic and Financial Affairs (DG ECFIN).

European Economic Forecast Winter 2016

Forecasts for EA	2014	2015	2016	2017
GDP growth (%, yoy)	0,9	1,6	1,7	1,9
Inflation (%, yoy)	0,4	0,0	0,5	1,5
Unemployment (%)	11,6	11,0	10,5	10,2
Public budget balance (% of GDP)	-2,6	-2,2	-1,9	-1,6
Gross public debt (% of GDP)	94,5	93,5	92,7	91,3
Current account balance (% of GDP)	3,0	3,7	3,6	3,4

The European economy is now entering its fourth year of recovery and growth continues at a moderate rate, driven mainly by consumption. At the same time, much of the world economy is grappling with major challenges and risks to European growth are therefore increasing.

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[2] http://ec.europa.eu/economy_finance/explained/economies_of_europe/european_economic_outlook/index_en.htm

The Commission's winter forecast shows that the overall growth outlook has changed little since the autumn but that the risk that growth could turn out worse than forecast has risen, mainly as a result of external factors. In the euro area, growth is projected to increase to 1.7% this year from 1.6% last year, and to climb to 1.9% in 2017. EU economic growth is forecast to remain stable at 1.9% this year and rise to 2.0% next year.

Certain factors supporting growth are now expected to be stronger and last longer than previously assumed. They include low oil prices, favourable financing conditions and the euro's low exchange rate. At the same time, risks to the economy are becoming more pronounced and new challenges are surfacing: slower growth in China and other emerging market economies, weak global trade as well as geopolitical and policy-related uncertainty.

The EU has set five ambitious objectives — on employment, innovation, education, social inclusion and climate/energy — to be reached by 2020. In concrete terms these are:

1. ensuring 75 % employment of 20–64-year-olds;
2. getting 3 % of the EU's GDP invested into research and development;
3. limiting greenhouse gas emissions by 20 % or even 30 % compared to 1990 levels, creating 20 % of our energy needs from renewables and increasing our energy efficiency by 20 %;
4. reducing school dropout rates to below 10 %, with at least 40 % of 30–34-year-olds completing tertiary education;
5. ensuring 20 million fewer people are at risk of poverty or social exclusion.

Each EU country has adopted its own national targets in each of these areas, and EU leaders have agreed a number of concrete actions at EU and national levels.

Завдання 1.3. За матеріалами, наведеними нижче з сайту Європейської комісії, сформулюйте письмово відповіді на питання:

1. *Що являє собою система «здорових державних фінансів»?*
2. *Назвіть прогнозні показники економічної активності, зростання ВВП, дефіциту в країнах ЄС.*
3. *Яким чином можна оцінити якість державних фінансів?*

Public finances in the EU[3]

Healthy public finances contribute to macroeconomic stability and support monetary policy in maintaining stable prices at low interest rates. Both effects are conducive to private investment and savings. By reducing public debt and the interest burden, this also creates room for a reduction in distortionary taxes and an increase in productive public spending.

- **Maintaining healthy public finances**

The economic and financial crisis badly weakened public finances in EU countries. Significant efforts in recent years and an improved economic outlook are bearing fruit and Member States have succeeded in reducing deficits and stabilising debt levels. It is important that governments secure long-term control over deficit and debt levels.

Current situation:

- In 2016 and 2017, **economic activity** should be on the rise in all Member States with an acceleration expected in 2017 in most of them
- In the EU, **GDP growth** is forecast to rise from 1.9% in 2015 to 2.0% in 2016 and 2.1% in 2017
- The **deficit-to-GDP** ratio for the EU as a whole is forecast to decline to 1.6% in 2017 from a forecast 2.5% this year, and to 1.5 in the euro area
- The **public debt-to-GDP** ratio in the EU is expected to fall to 85.8% in 2017 from 87.8% expected this year, whereas euro area's debt-to-GDP ratio is forecast to fall from its peak of 94.5% in 2014 to reach 91.3% in 2017

The **quality of public finances** is also very important. Particular attention should be given to:

- How taxation is designed and collected to make it more efficient
- Where expenditure is focused and prioritising productive investment in government
- Improving the countries' fiscal governance to allow growth-enhancing policies.

Fiscal policy should seek to strike an adequate balance between tackling historically-high debt levels and supporting economic growth.

[3] http://ec.europa.eu/economy_finance/eu/public_finances/index_en.htm

Економічний і монетарний союз

Завдання 2.1. Проаналізуйте викладений нижче матеріал і дайте письмові відповіді на питання:

1. *Що таке «Економічний і монетарний союз»(EMU)?*
2. *Коли і чому було прийнято рішення про створення EMU?*
3. *Які основні напрями реалізації EMU?*
4. *Назвіть інституції, які відповідальні за функціонування EMU та їхні функції?*
5. *Назвіть та дайте характеристику стадіям поглиблення EMU.*

Economic and Monetary Union [4]

Economic and Monetary Union (EMU) represents a major step in the integration of EU economies. It involves the coordination of economic and fiscal policies, a common monetary policy, and a common currency, the euro. Whilst all 28 EU Member States take part in the economic union, some countries have taken integration further and adopted the euro. Together, these countries make up the euro area.

The decision to form an Economic and Monetary Union was taken by the European Council in the Dutch city of Maastricht in December 1991, and was later enshrined in the Treaty on European Union (the Maastricht Treaty). Economic and Monetary Union takes the EU one step further in its process of economic integration, which started in 1957 when it was founded. Economic integration brings the benefits of greater size, internal efficiency and robustness to the EU economy as a whole and to the economies of the individual Member States. This, in turn, offers opportunities for economic stability, higher growth and more employment – outcomes of direct benefit to EU citizens. In practical terms, EMU means:

- Coordination of economic policy-making between Member States
- Coordination of fiscal policies, notably through limits on government debt and deficit
- An independent monetary policy run by the European Central Bank (ECB)
- Single rules and supervision of financial Institutions within the euro area
- The single currency and the euro area

Economic governance under EMU

Within EMU there is no single institution responsible for economic policy. Instead, the responsibility is divided between Member States and the EU institutions. The main actors in EMU are:

- The European Council – sets the main policy orientations
- The Council of the EU (the 'Council') – coordinates EU economic policy-making and decides whether a Member State may adopt the euro

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[4] http://ec.europa.eu/economy_finance/euro/emu/index_en.htm

- The 'Eurogroup' – coordinates policies of common interest for the euro-area Member States
- The Member States – set their national budgets within agreed limits for deficit and debt, and determine their own structural policies involving labour, pensions and capital markets
- The European Commission – monitors performance and compliance
- The European Central Bank (ECB) – sets monetary policy, with price stability as the primary objective and act as central supervisor of financial Institutions in the euro area
- The European Parliament - shares the job of formulating legislation with the Council, and subjects economic governance to democratic scrutiny in particular through the new Economic Dialogue

Completing the Economic and Monetary Union

Following the outbreak of the economic and financial crisis, the European Union took unprecedented measures to improve the economic governance framework of EMU (such as the strengthening of the Stability of Growth Pact or the adoption of new mechanisms to prevent economic imbalances and better coordinate economic policies).

Timeline on the Evolution of EU Economic Governance in Historical Context

However, these emergency measures needed to be consolidated and completed in the long-term so as to avoid that a new crisis could affect EMU so strongly. Therefore, the Presidents of five European Institutions – the European Commission, the European Parliament, the European Central Bank and the European Council (as President of the euro summit) – laid down a roadmap to deepen the Economic and Monetary Union in two stages as of July 2015 and complete it by 2025 at the latest.

- **Stage 1** or **"Deepening by Doing" (1 July 2015 - 30 June 2017**): using existing instruments and the current Treaties to boost competitiveness and structural convergence, achieving responsible fiscal policies at national and euro area level, completing the Financial Union and enhancing democratic accountability.
- **Stage 2**, or **"completing EMU" (by 2025)**: more far-reaching actions will be launched to make the convergence process more binding, through for example a set of commonly agreed benchmarks for convergence which would be of legal nature, as well as a euro area treasury.

Завдання 2.2. За матеріалами, наведеними нижче з сайту Європейської комісії, сформулюйте письмово відповіді на питання:

1. *Що таке «зона євро» та які країни є її членами?*
2. *Коли було вперше введено євро та як розширювалася зона євро?*
3. *Які країни не є учасниками зони євро і чому?*

What is the euro area? [5] Who can join and when?[6]

The euro area consists of those Member States of the European Union that have adopted the euro as their currency. Today, around 340 million citizens in 19 countries live in the euro area, and this number will increase as future enlargements of the euro area continue to spread the benefits of the single currency more widely in the European Union.

All EU Member States are part of Economic and Monetary Union, which means they coordinate their economic policies for the benefit of the EU as a whole. However, not all EU Member States are in the euro area – only those having adopted the euro are members of the euro area.

When the euro was first introduced in 1999 – as 'book' money –, the euro area was made up of 11 of the then 15 EU Member States. Greece joined in 2001, just one year before the cash changeover, followed by Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014 and Lithuania in 2015. Today, the euro area numbers 19 EU Member States.

Of the Member States outside the euro area, Denmark and the United Kingdom have 'opt-outs' from joining laid down in Protocols annexed to the Treaty, although they can join in the future if they so wish. Sweden has not yet qualified to be part of the euro area.

The remaining non-euro area Member States are among those which acceded to the Union in 2004, 2007 and 2013, after the euro was launched. At the time of their accession, they did not meet the necessary conditions for entry to the euro area, but have committed to joining as and when they meet them – they are Member States with a 'derogation', such as Sweden.

Andorra, Monaco, San Marino and the Vatican City have adopted the euro as their national currency by virtue of specific monetary agreements with the EU, and may issue their own euro coins within certain limits. However, as they are not EU Member States, they are not part of the euro area.

Sweden is not yet in the euro area, as it has not made the necessary changes to its central bank legislation and it does not meet the convergence criterion related to participation in the Exchange Rate Mechanism (ERM II). However, under the Treaty, Sweden is required to adopt the euro once it fulfils the necessary conditions.

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[5] http://ec.europa.eu/economy_finance/euro/adoption/euro_area/index_en.htm

[6] http://ec.europa.eu/economy_finance/euro/adoption/who_can_join/index_en.htm

The remaining non-participating Member States acceded to the Union in 2004, 2007 and 2013, after the euro was launched. At the time of their accession, they did not meet the conditions for entry to the euro area, therefore their Treaties of Accession allow them time to make the necessary adjustments – they are Member States with a 'derogation', as is Sweden. These Member States have committed to joining the euro area as soon as they fulfil the entry conditions. When this is the case, the 'derogation' is 'abrogated' by a decision of the Council, and the Member State concerned adopts the euro.

National target dates for adoption of the euro

The Treaty does not specify a particular timetable for joining the euro area, but leaves it to Member States to develop their own strategies for meeting the conditiosn for euro adoption. Seven of the 13 Member States who joined the EU since 2004 have already joined the euro area, most recently Lithuania on 1 January 2015.

Euro-area Member States	Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, The Netherlands, Austria, Portugal, Slovenia, Slovakia, Finland, Estonia, Latvia, Lithuania
Non-euro area Member States	Bulgaria, Czech Republic, Hungary, Poland, Romania, Sweden, Croatia
Member States with an opt-out	Denmark, United Kingdom

Завдання 2.3. Проаналізуйте викладений нижче матеріал і дайте письмові відповіді на питання:

1. *Поясніть зв'язок між зоною євро і розширенням ЄС та поглибленням інтеграції?*
2. *Що таке Exchange Rate Mechanism та для чого його було створено?*
3. *Яким чином відбувається управління в зоні євро?*

Adopting the euro [7]

The European Union grows as candidate countries meet the conditions for entry and accede to the Union – this process is known as enlargement. Similarly, the euro area is enlarging as non-euro-area EU Member States meet the conditions for entry and adopt the euro.

The euro area includes those EU Member States that have adopted the single currency. But the euro area is not static – under the Treaty, all EU Member States have to join the euro area once the necessary conditions are fulfilled, except Denmark and the United Kingdom which have negotiated an 'opt-out' clause that allows them to remain outside the euro area. Sweden is also expected to join the euro area in the future, but has not yet qualified.

Progressive enlargement, progressive integration

An accession country that plans to join the Union must align many aspects of its society – social, economic and political – with those of EU Member States. Much of this alignment is aimed at ensuring that an accession country can operate successfully within the Union's single market for goods, services, capital and labour – accession is a process of integration.

Adopting the euro and joining the euro area takes integration a step further – it is a process of much closer economic integration with the other euro-area Member States. Adopting the euro also demands extensive preparations; in particular it requires economic and legal convergence.

Preparing for entry

Before a Member State can adopt the euro, it must fulfil certain economic and legal criteria. The economic 'convergence criteria' are designed to ensure that a Member State's economy is sufficiently prepared for adoption of the single currency and can integrate smoothly into the monetary regime of the euro area. Legal convergence requires that national legislation, in particular the national central bank and monetary issues, is compatible with the Treaty.

Replacing a national currency with the euro is a major operation that demands many practical preparations, for instance ensuring that the national currency is withdrawn quickly, that prices of goods are properly converted and displayed, and that people are kept well informed. All these preparations rely on the particular 'changeover scenario' that a euro-area candidate country adopts. Significant

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[7] http://ec.europa.eu/economy_finance/euro/adoption/index_en.htm

experience was gained when the euro was first launched, which benefits euro-area candidate countries today. The European Commission, in particular, offers much help and advice to euro-area candidate countries.

Exchange Rate Mechanism (ERM II)

Some non-euro-area countries are already members of the Exchange Rate Mechanism (ERM II). ERM II is a system designed to avoid excessive exchange-rate fluctuations between the participating currencies and the euro that might disrupt economic stability within the single market. Participation is voluntary, but it is also one of the 'convergence criteria' – euro-area candidate countries must participate, without severe tensions, for at least two years before they can qualify to adopt the euro.

Governing the euro area

By adopting the euro, the economies of the euro-area members become more integrated. This economic integration must be managed properly to realise the full benefits of the single currency. Therefore, the euro area is also distinguished from other parts of the EU by its economic management – in particular, monetary and economic policy-making.

- Monetary policy in the euro area is in the hands of the independent Eurosystem, comprising the European Central Bank (ECB), which is based in Frankfurt, Germany, and the national central banks of the euro-area Member States. Through its Governing Council, the ECB defines the monetary policy for the whole euro area – a single monetary authority with a single monetary policy and the primary objective to maintain price stability.
- Within the euro area, economic policy remains largely the responsibility of the Member States, but national governments must coordinate their respective economic policies in order to attain the common objectives of stability, growth and employment. Coordination is achieved through a number of structures and instruments, the Stability and Growth Pact (SGP) being a central one. The SGP contains agreed rules for fiscal discipline, such as limits on government deficits and on national debt, which must be respected by all EU Member States, although only euro-area countries are subject to sanction – financial or otherwise – in the event of non-compliance.

Завдання 2.4. За матеріалами, наведеними нижче з сайту Європейської комісії, сформулюйте письмово відповіді на питання:

1. *Поясніть чому існують певні умови приєднання країни до зони євро?*
2. *Які загальні умови приєднання країни до зони євро?*
3. *Поясність сутність та дайте характеристику критеріям конвергенції.*
4. *Яке значення мають доповіді щодо конвергенції? Яка інформація містититься у таких доповідях?*
5. *Яка динаміка виконання країнами критеріїв конвергенції протягом* 1996 - 2015 рр.?

Why are there conditions for entry to the euro area?[8]

The process of building Europe is one of progressive integration. The single market for goods, services, capital and labour, launched in 1986, was a major step in this direction. Economic and Monetary Union and the euro take economic integration even further, and to join the euro area Member States must fulfil certain economic and legal conditions.

Adopting the single currency is a crucial step in a Member State's economy. Its exchange rate is irrevocably fixed and monetary policy is transferred to the hands of the European Central Bank, which conducts it independently for the entire euro area. The economic entry conditions are designed to ensure that a Member State's economy is sufficiently prepared for adoption of the single currency and can integrate smoothly into the monetary regime of the euro area without risk of disruption for the Member State or the euro area as a whole. In short, the economic entry criteria are intended to ensure economic convergence – they are known as the 'convergence criteria' (or 'Maastricht criteria') and were agreed by the EU Member States in 1991 as part of the preparations for introduction of the euro.

In addition to meeting the economic convergence criteria, a euro-area candidate country must make changes to national laws and rules, notably governing its national central bank and other monetary issues, in order to make them compatible with the Treaty. In particular, national central banks must be independent, such that the monetary policy decided by the European Central Bank is also independent.

The Member States which were the first to adopt the euro in 1999 had to meet all these conditions. The same entry criteria apply to all countries which have since adopted the euro and all those that will in the future.

What are the convergence criteria?

The convergence criteria are formally defined as a set of macroeconomic indicators which measure:

- Price stability, to show inflation is controlled;

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[8]http://ec.europa.eu/economy_finance/euro/adoption/who_can_join/index_en.htm

• Soundness and sustainability of public finances, through limits on government borrowing and national debt to avoid excessive deficit;

• Exchange-rate stability, through participation in the Exchange Rate Mechanism (ERM II) for at least two years without strong deviations from the ERM II central rate;

• Long-term interest rates, to assess the durability of the convergence achieved by fulfilling the other criteria.

The exchange-rate stability criterion is chosen to demonstrate that a Member State can manage its economy without recourse to excessive currency fluctuations, which mimics the conditions when the Member State joins the euro area and its control of monetary policy passes to the European Central Bank (ECB). It also provides an indication of the appropriate conversion rate that should be applied when the Member State qualifies and its currency is irrevocably fixed.

The five convergence criteria

What is measured:	Price stability	Sound public finances	Sustainable public finances	Durability of convergence	Exchange rate stability
How it is measured:	Consumer price inflation rate	Government deficit as % of GDP	Government debt as % of GDP	Long-term interest rate	Deviation from a central rate
Convergence criteria:	Not more than 1.5 percentage points above the rate of the three best performing Member States	Reference value: not more than 3%	Reference value: not more than 60%	Not more than 2 percentage points above the rate of the three best performing Member States in terms of price stability	Participation in ERM II for at least 2 years without severe tensions

Who decides if the convergence criteria are met?

According to the Treaty, at least once every two years, or at the request of a Member State with a derogation, the Commission and the European Central Bank assess the progress made by the euro-area candidate countries and publish their conclusions in respective convergence reports.

Convergence Reports [9]

The Convergence Reports examine whether the Member States satisfy the necessary conditions to adopt the single currency. The EC Treaty requires the Commission and the European Central Bank to issue these reports at least once every two years or at the request of an EU Member State which would like to join the euro area.

The conditions which the Member States must meet, and which the Reports therefore examine, are:

- the convergence criteria (price stability, sound public finances, exchange rate stability and convergence in long-term interest rates)
- compatibility of national legislation with the 'acquis' (existing EU legislation) as regards the national central bank, notably its independence and that of the members of its decision-making bodies, its objectives, and its integration into the European System of Central Banks

The Treaty on the Functioning of the European Union (TFEU Article 140) states that at least once every two years, or at the request of a Member State with a derogation (i.e. not participating in the euro area), the Commission and the ECB must report to the Council on the progress made with respect to convergence.

On the basis of its assessment, the Commission submits a proposal to the ECOFIN Council which – having consulted the European Parliament, and after discussion among the Heads of State or Government – decides whether the country fulfills the necessary conditions and may adopt the euro. If the decision is favorable, the ECOFIN Council takes the necessary legal steps and – based on a Commission proposal, having consulted the ECB – adopts the conversion rate at which the national currency will be replaced by the euro, which thereby becomes irrevocably fixed.

EU Member States currently outside the euro area

At present, there are 9 EU Member States that do not participate in the euro area - Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania, Sweden and the United Kingdom.

Denmark and the United Kingdom have negotiated opt-out arrangements and will therefore not be the subject of a convergence assessment until they request it.

Convergence reports 1996 - 2015

The Convergence Reports have been produced since 1996. The 1998 reports by the Commission and the European Monetary Institute (the forerunner of the European Central Bank) formed the basis for the Council decision on the introduction of the euro in the initial eleven Member States.

In 2000, the Commission and the ECB prepared reports on Sweden and Greece (the latter having submitted a request for a convergence assessment) concluding that Greece fulfilled the necessary conditions for adoption of the single

[9] http://ec.europa.eu/economy_finance/euro/adoption/convergence_reports/index_en.htm

currency. The Council then decided on that basis that the euro would be introduced in Greece in January 2001.

In 2002, the convergence assessment covered only Sweden and concluded that Sweden did not fulfil the conditions.

In October 2004, the ten countries that joined the European Union on 1 May 2004 were assessed for the first time. Although the maximum two-year period referred to by the Treaty had not yet elapsed for these countries in 2004, the obligatory re-assessment of Sweden was taken as an opportunity to analyse also the state of convergence in the new Member States. The report concluded that none of the 11 assessed countries at that stage fulfilled the necessary conditions for the adoption of the single currency.

In 2006, there were two sets of convergence assessments. Lithuania's and Slovenia's state of readiness was examined in convergence reports issued in May 2006 at their own request. While Slovenia was deemed to fulfil all the convergence criteria and ready to adopt the euro in January 2007, the report on Lithuania suggested that there should be no change in its status as a Member State with a derogation.

The then remaining nine countries (the Czech Republic, Estonia, Cyprus, Latvia, Hungary, Malta, Poland, Slovakia and Sweden) were assessed in December 2006. Although the report showed progress with convergence in many countries, none of them was deemed to meet the necessary conditions for adopting the single currency.

Aiming to adopt the euro in 2008, Cyprus and Malta submitted requests for re-examination in spring 2007. On the basis of convergence reports issued by the Commission and the ECB in May 2007, the Council concluded that both Cyprus and Malta fulfilled the necessary conditions for adoption of the single currency. Consequently, the Council decided that the euro would be introduced in the two countries on 1 January 2008.

In 2008, the convergence report adopted on 7 May examined progress towards convergence in remaining ten Member States with a derogation - Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Sweden. The report concluded that Slovakia met the conditions to join the euro area in January 2009.

In 2010, the Commission concluded on 12 May that Estonia met the requirements for joining the euro, as the result of determined and credible policy efforts and recommend Estonia's membership of the euro zone from 1 January 2011.

In 2012, the Commission concluded on 30 May that that none of the countries examined (Bulgaria, the Czech Republic, Latvia, Lithuania, Hungary, Poland, Romania and Sweden) fulfilled all conditions for adopting the euro.

In 2013, the Commission concluded on 5 June that Latvia fulfilled all conditions for adopting the euro.

In 2014, the Commission concluded on 4 June that Lithuania fulfilled all conditions for adopting the euro. The next regular convergence assessment, covering all Member States with a derogation, is scheduled for June 2016.

Вплив світової фінанової кризи на економіку країн ЄС

Завдання 3.1. Проаналізуйте викладений нижче матеріал і дайте письмові відповіді на питання:

1. *Поясніть причини появи фінансової кризи?*
2. *Поясніть причини поширення фінансової кризи?*
3. *Обгрунтуйте недоліки економічного управління в ЄС, що проявилися під час кризи. .*

Why did the crisis happen?[10]

Europe's debt crisis was initially triggered by events in the American banking sector. When a slowdown in the US economy caused over-extended American homeowners to default on their mortgages, banks all over the world with investments linked to those mortgages started losing money.

America's fourth largest investment bank, Lehman brothers, collapsed under the weight of its bad investments, scaring other banks and investors with which it did business.

The fear that more banks could fail caused investors and banks to take extreme precautions. Banks stopped lending to each other, pushing those reliant on such loans close to the edge.

European banks that had invested heavily in the American mortgage market were hit hard. In an attempt to stop some banks from failing, governments came to the rescue in many EU countries like Germany, France, the UK, Ireland, Denmark, the Netherlands and Belgium. But the cost of bailing out the banks proved very high. In Ireland, it almost bankrupted the government until fellow EU countries stepped in with financial assistance.

As Europe slipped into recession in 2009, a problem that started in the banks began to affect governments more and more, as markets worried that some countries could not afford to rescue banks in trouble.

Investors began to look more closely at the finances of governments. Greece came under particular scrutiny because its economy was in very bad shape and successive governments had racked up debts nearly twice the size of the economy.

The threat of bank failures meant that the health of government finances became more important than ever.

Governments that had grown accustomed to borrowing large amounts each year to finance their budgets and that had accumulated massive debts in the process, suddenly found markets less willing to keep lending to them.

What started as a banking crisis became a sovereign debt crisis.

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[10] http://ec.europa.eu/economy_finance/explained/the_financial_and_economic_crisis/why_did_the_crisis_happen/index_en.htm

Why did the crisis spread?[11]

In several countries, governments became ensnared by the problems of the banking sector when troubled banks started turning to them for help. The high cost of bank rescues led financial markets to question whether governments could really afford to support the banking sector. And as recession began to bite across Europe, the focus on the health of government finances threw a spotlight on the fact that a number of governments in the euro area had for some years been borrowing heavily to finance their budgets, accumulating huge debts in the process. Easy money was available because investors had turned a blind eye to warning signs about the health of the economy and were not paying enough attention to the risks involved in lending more and more.

Part of the reason some governments had become dependent on debt was that their economies had been losing competitiveness for a long time, as they failed to keep up with economic reforms in other countries.

In some countries, governments had allowed property bubbles and other unhealthy economic imbalances to develop. Finally, some governments had ignored the rules designed to make the euro work and had not done more to coordinate their economic policies since agreeing to share a common currency with a single monetary policy.

In an increasing number of countries a vicious cycle developed. Financial instability stifled economic growth, which in turn lowered tax revenues and increased governments' debts. Higher debts then raised the cost of borrowing for governments, feeding financial instability. All of this prompted questions as to whether the institutional set-up of the Economic and Monetary Union and the euro was adequate in times of crisis.

The crisis exposed several shortcomings in the EU's system of economic governance:

- **Too much focus on deficits**: monitoring of countries' public finances had focused on annual budget deficits and not sufficiently on the level of government debt. Yet a number of countries that had kept to EU rules by running low annual deficits or even surpluses nevertheless found themselves in financial difficulties during the global financial crisis because of high levels of debt. Therefore, stricter monitoring of this indicator was needed.
- **Lack of surveillance of competitiveness and macroeconomic imbalances**: surveillance of EU economies failed to pay enough attention to unsustainable developments in competitiveness and credit growth leading to accumulated private sector debt, weakened financial institutions, and inflated housing markets.
- **Weak enforcement**: for euro area countries that did not play by the rules, enforcement was not strong enough; a firmer, more credible mechanism of sanctions was needed.

[11] http://ec.europa.eu/economy_finance/explained/the_financial_and_economic_crisis/why_did_the_crisis_spread/index_en.htm

• **Slow decision-making capacity**: too often, institutional weaknesses meant that tough decisions on worrying macroeconomic developments were postponed. This also meant that insufficient account was taken of the economic situation from the perspective of the euro area as a whole.

• **Emergency financing**: when the crisis struck there was no mechanism to provide financial support to euro area countries that suddenly found themselves in financial difficulties. Financial support was needed not only to address country-specific problems but also to provide a 'firewall' to prevent problems spreading to other countries that were at risk.

As a consequence, Greece, and subsequently Ireland, Portugal, Spain and Cyprus, were eventually unable to borrow on financial markets at reasonable interest rates. The EU was requested to step in, which resulted in the creation of a crisis resolution mechanism and financial backstops i.e. large funds on stand-by to be used in an emergency by euro area countries in financial difficulty.

Завдання 3.2. На основі вивчення запропонованого нижче матеріалу з сайту ЄС дайте письмові відповіді на такі питання:

1. *Які заходи подолання кризи були використані у ЄС?*
2. *Які інституційні зміни відбулися в ЄС у процесі реалізації механізму подолання наслідків кризи? Який результат таких трансформацій?*
3. *Опишіть заходи миттєвого реагування на прояви кризи?*
4. *. Опишіть заходи довгострокового реагування на прояви кризи?*

Responding to the financial crisis [12]

To prevent a complete collapse of the banking system, European governments came to the rescue of their banks with urgent support of an unprecedented scale. 1.6 trillion euros, the equivalent of 13 % of the EU's annual GDP were committed between 2008 and 2011.

The EU also launched a Europe-wide recovery programme to safeguard jobs and social protection levels and to support economic investment. In this way, bank runs were avoided and European savings were protected.

The euro broadly maintained its value and successfully shielded euro zone countries from the worst effect of the economic crisis by providing EU companies with a stable playing field for international trade and investment. But this effort took its toll, especially because most of this money had to be borrowed.

The economic and financial crisis has demonstrated that the EU's banking system is vulnerable to shocks. A problem at one bank can spread quickly to others, affecting depositors, investment and the overall economy. In response, the EU and its member countries have been strengthening financial sector supervision.

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[12] http://ec.europa.eu/economy_finance/explained/the_financial_and_economic_crisis/responding_to_the_financial_crisis/index_en.htm

As part of the reforms, 3 European supervisory bodies were set up to help coordinate the work of national regulators and ensure EU-level rules are applied consistently.

- The European Banking Authority (EBA), which deals with bank supervision, including the supervision of the recapitalisation of banks;
- the European Securities and Markets Authority (ESMA), which deals with the supervision of capital markets and carries out direct supervision with regard to credit rating agencies and trade repositories,
- and the European Insurance and Occupational Pensions Authority (EIOPA), which deals with insurance supervision.

European financial supervision is being stepped up to ensure that banks are better capitalised, behave responsibly and are able to lend money to households and businesses. This paves the ways for Banking Union to make sure that people's deposits are protected and taxpayers are not forced to pay for the failure of banks.

The Banking Union is a natural complement to the Economic and Monetary Union. It addresses the weaknesses that were revealed by the crisis. Soon banks in every country that uses the euro will report to a common supervisor, the European Central Bank. Moreover, decisions on how to handle a failing bank will be taken centrally, according to a common set of rules that have been designed to minimise the cost to tax payers.

Depositors across Europe will also be better protected. Through these measures nearly 30 more, the EU is working to build a more effective financial sector based on stronger, more resilient banks and sounder regulation and supervision.

As the euro area's independent monetary policy authority, the European Central Bank (ECB) played an important role in containing the crisis with innovative policies. The institution's decision to lend banks as much as they needed at low rates and for as long as three years, helped to calm markets by ensuring that banks would be able to cover their short term needs.

When financial markets became so dysfunctional that they were demanding unreasonably high returns for lending to governments, the ECB devised the Outright Monetary Transactions (OMT) programme, under which it promised to buy the bonds of struggling government to ensure a reasonable rate, provided that they also commit to a programme of economic reforms with the euro area's assistance fund, the European Stability Mechanism.

Although no country has ever requested the OMT programme to be used, its mere fact of its existence helped to calm financial markets.

Responding to the debt crisis[13]

From late 2009 and early 2010, certain euro area countries were beginning to have problems financing their debts. Market uncertainty led to normal government borrowing operations becoming costly and eventually impossible.

[13]http://ec.europa.eu/economy_finance/explained/the_financial_and_economic_crisis/responding_to_the_debt_crisis/index_en.htm

At the time, EU countries reacted quickly by putting in place so-called ‘firewall’ confidence-building measures to help to finance the debts of countries facing temporary difficulties in borrowing money from financial markets.

In parallel the EU also set to work on resolving the root causes of its weaknesses. A twin track approach was followed. Temporary assistance mechanisms were established to cope with the immediate crisis, and long-term measures to create permanent support facilities and to help prevent a reoccurrence of future crises were set in motion.

Immediate response

The financing facilities for euro area countries experiencing severe financing problems were set up with considerable speed. When Greece lost access to affordable market financing, the EU moved quickly to help by pooling bilateral loans from European governments with the European Commission. It then set up two temporary funds, the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF) with a total lending capacity of E500 billion. The creation of these instruments is testament to the willing of euro area and EU countries to show solidarity.

As these two financial backstops were constructed as temporary measures, the euro area countries in the autumn of 2012 created a new and permanent financial backstop — the European Stability Mechanism (ESM). It is now the cornerstone of the European firewall and an integral part of the EU’s comprehensive strategy to ensure financial stability in the euro area. Its lending capacity is currently set at € 500 billion and conditional financial assistance will be available to those countries that have ratified the treaty on stability, coordination and governance. The ESM thus complements the reinforced surveillance by giving the possibility to offer conditional financial assistance to euro area countries when needed.

These ‘firewall’ facilities have not only resolved the immediate difficulties experienced by some countries in repaying their debts, but have also boosted the confidence of financial markets and helped to ensure financial stability of the euro area as a whole.

Help from the EU is also available for non-euro area countries that are faced with serious difficulties or problems attaining international financing. Countries that use the EU’s EUR 50 billion Balance of Payments Assistance fund must also agree to make reforms to fix their economic problems.

Long-term response

The EU introduced new stronger rules to keep a tighter check on public debt and deficits to make sure countries don’t spend beyond their means. A new fiscal treaty was also signed to further strengthen confidence limiting yearly structural deficits to 0.5 % of the GDP. This crisis clearly shows that a debt filled economy is not sustainable. European Commission will now make sure that the limits on debts and deficits are applied and that national budgets do not put at risk other European economies.

Ensuring sound public finances

The euro offers many potential benefits, but only if participating countries run sound economic policies. This is why membership of the euro, since the outset, has

come with a firm obligation to avoid large and excessive budget deficits and to keep public debt at sustainable levels. This commitment to run sound fiscal policies is monitored through a framework known as the Stability and Growth Pact.

This Pact has been considerably reinforced as a result of the economic crisis. Governments must now submit their draft budget plans for scrutiny by the Commission and other euro area countries. Rigorous surveillance mechanisms are in place to check that countries indeed will meet the budget targets which all euro area countries have committed themselves to achieve, and sanctions can be imposed if needed.

Ensuring competitiveness and promoting growth

Sound public finances are not the only key to having a thriving economy in the euro area. The crisis also revealed the need for a new approach to the regulation of financial services and for closely monitoring financial market developments. New surveillance instruments have also been established to make sure that euro area countries adopt economies policies that ensure competitiveness and promote growth as well as jobs. Prevention is better than cure, and these new surveillance instruments also aim to avoiding damaging bubbles in housing markets.

… on the macroeconomic side

In addition to strengthening the fiscal rules, the EU has introduced a new framework for the surveillance and timely correction of macroeconomic imbalances. The aim is to address risky developments, e. g. related to asset bubbles and weakening competitiveness, before they become a threat to the stability of an EU country, the euro area, or the EU as a whole.

Therefore, the Commission regularly monitors for potential macroeconomic imbalances (in areas such as labour cost, house prices or unemployment). EU countries that show potentially worrying trends are analysed in-depth. If an imbalance is found to exist, the country concerned is asked to take action to prevent the situation worsening. If an imbalance is deemed excessive, the country has to take action to correct the situation. For euro area countries enforcement of the rules is backed up by a sanctions mechanism.

... on the growth side

Europe 2020 is the EU's growth strategy for this decade with the aim of fostering a smart, sustainable and inclusive economy. With these three mutually reinforcing priorities, EU countries aim to establish high levels of employment, productivity and social cohesion. To measure progress towards these goals the EU has set five ambitious targets to be reached by 2020 on: employment, innovation, education, social inclusion and climate/energy policy. Each country has adopted its own national targets in each of these areas. Actions at the EU and national levels and Structural Funds for EU countries will help implement these goals.

… on economic reforms

The European Semester is an annual cycle of policy coordination at EU level (the first half of the year) during which EU countries have the chance to review each other's economic and fiscal policies before they are implemented. At the end

of the cycle, the EU addresses specific reform recommendations to each country. Implementation is monitored throughout the year. In addition, euro area countries have to publish their draft budgets for the following year by 15 October for the Commission to assess their conformity with agreed requirements.

Завдання 3.3. За матеріалами, наведеними нижче з сайту Європейської комісії, сформулюйте письмово відповіді на питання:

1. *Які заходи для подолання проявів кризи були використані у Греції, Ірландії, Португалії, Іспанії, Кіпрі та країнах, які не є учасниками зони євро?*
2. *Опишіть сучасну економічну ситацію цих країн.*

Assisting countries in trouble [14]

European countries have pulled together to create the world's biggest financial assistance funds. By working together, the European Commission, the International Monetary Fund and the European Central Bank, help governments in need to devise assistance programmes to stabilise fragile economies and address deep-rooted economic problems.

Greece

When international investors stopped lending the Greek government the money on which it had grown dependent, euro area finance ministers and the International Monetary Fund (IMF) joined forces. On 2 May 2010 EUR 110 billion was set aside to support the Greek government in implementing reforms that would restore its economy. The money, of which EUR 80 billion came from Greece's euro area partners, was disbursed by the European Commission in tranches between May 2010 and June 2013, following Greece's successful implementation of promised reforms.

On 14 March 2012, euro area finance ministers and the IMF approved a second round of economic assistance for Greece, worth EUR 164.5 billion. This time, Greece's fellow euro area countries stepped in with EUR 144.7 billion through the European Financial Stability Facility, a rescue fund that was launched in August 2010. A deal with financial investors to reduce Greece's crushing debt burden by almost EUR 200 billion was also arranged.

Disbursement of the money was divided into tranches to be paid out between March 2012 and December 2014, in parallel with the completion of reforms that are crucial to the revival of Greece's economy.

In November 2012, euro area finance ministers and the IMF agreed to further help Greece by cutting the cost of their loans and giving the country more time to repay them.

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[14] http://ec.europa.eu/economy_finance/explained/the_financial_and_economic_crisis/assisting_countries_in_trouble/index_en.htm

Ireland

Between December 2010 and December 2013 Europe's rescue funds, the International Monetary Fund, the United Kingdom, Sweden and Denmark, lent Ireland EUR 85 billion to restore its national finances and repair its economy following the collapse of the country's largest banks.

Ireland's considerable reforms to restore its finances and reinvigorate its economy paid off. In January 2014, Ireland became the first euro area country to successfully emerge from a macroeconomic assistance programme. It is no longer dependent on international financial assistance and its economy is expected to grow by 4.6 % in 2014 with a current account surplus of 5.5 %.

Portugal

When financial investors started demanding ever-higher returns for lending to governments, Portugal found itself unable to pay. On 17 May 2011, European finance ministers and the International Monetary Fund agreed to lend Portugal EUR 78 billion to finance its budget deficit, reduce the government's debts, repair its banking sector, and finance reforms to stimulate economic growth and create jobs. Portugal has already received more than EUR 71 billion, with the rest expected to come by mid-2014. Despite its challenging situation, Portugal's reforms have significantly improved the country's finances and its economy. Portugal's government achieved a budget surplus last year and the economy is set to start growing again this year.

Spain

A burst property bubble left the Spanish banking sector holding billions of euros worth of loans that borrowers could no longer repay. Euro area countries used their financial assistance funds, the European Financial Stability Facility and the European Stability Mechanism to help Spain repair its struggling banking sector by setting aside EUR100 billion in loans, that were paid out between July 2012 and December 2013. European help, and advice from the International Monetary Fund, enabled Spain to ensure its viable banks got enough money to start lending again and to safely close banks with no future.

Cyprus

Hurt by the severe recession in Greece and an accident at a major power station, and vulnerable because of its over-sized banking sector, Cyprus turned to its euro area partners for help. On 24 April 2012 euro area governments and the International Monetary Fund agreed to lend Cyprus EUR 10 billion to restructure its banking sector, rebuild its public finances and invest in a more balanced and healthy economy. The money, EUR 9 billion of which comes from the euro area's European Stability Mechanism rescue fund, is being disbursed in tranches, in parallel with reforms, until 2016.

Outside the euro area

The EU also provides Financial assistance to countries that do not use the euro through its EUR 50 billion-strong Balance of Payments Assistance programme. In total, EUR 16 billion has been disbursed to three countries: Hungary, Romania, and Latvia, before it adopted the euro as its currency.

Бюджет і Багаторічна фінансова ініціатива ЄС

Завдання 4.1. За матеріалами, наведеними нижче, сформулюйте письмово відповіді на питання:

1. *Хто приймає рішення про використання коштів бюджету?*
2. *Опишіть структури витрат європейського бюджету.*

Budget [15]

The annual EU budget is **€145 bn** (2015 figures) – a large sum in absolute terms, but only about **1%** of the wealth generated by EU economies every year.

The budget is subject to limits established by the multiannual financial framework. This sets the maximum annual amounts which the EU can spend in various policy areas over a given period (usually 7 years).

Who decides how the money is spent?

The annual budget – subject to the ceilings set out in the multiannual financial framework, is decided **democratically** as follows:

- The European Commission proposes a budget.
- The national governments (acting through the EU Council), and the directly elected European Parliament approve the proposal. This becomes next year's budget.

What is the money spent on?

The lion's share of the EU budget supports **growth and jobs**. Another significant share goes on agriculture and rural development.

Top expenditure areas (2015)

46% – smart and inclusive growth in the EU, subdivided into:

- 34% – helping underdeveloped EU regions and disadvantaged sections of society
- 12% – making European firms more competitive.

41% – producing safe and secure food supplies, innovative farming and efficient and sustainable use of land and forests.

How does the EU budget break down by budget heading? (2015 figures)

Within the EU

Some programmes & budgets in 2015:

- Horizon 2020 – research & innovation programme (**€10 bn**)
- Youth Employment Initiative (**€1.4 bn**)
- COSME – programme for small businesses (**€0.3 bn**)
- Connecting Europe Facility – transport, energy & digital networks (**€3.4 bn**)
- Erasmus+ – education, training, youth & sport (**€1.6 bn**)
- Life – environment programme (**€0.4 bn**)

Outside the EU

As a major global player, the EU has certain obligations to the outside world:

- promoting economic & social development

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[15] http://europa.eu/pol/financ/

- keeping the peace
- helping victims of disasters & conflict.

Non-EU countries receiving aid from the EU budget fall into 3 main groups:

- Parts of the developing world where certain EU countries have strong historical ties (especially Africa, the Caribbean and the Pacific).
- Neighbouring countries – in eastern Europe, North Africa and the Middle East.
- Countries preparing to join the EU (candidates or potential candidates).

Examples of programmes in 2015:

- Development cooperation instrument (€2.4 bn)
- European neighbourhood instrument (€2 bn)
- Instrument for pre-accession assistance (€1.6 bn)

Завдання 4.2. На основі вивчення запропонованого нижче матеріалу з сайту ЄС дайте письмові відповіді на такі питання:

1. *Що таке Багаторічна фінансова ініціатива і з якою метою розроблено цей документ?*
2. *Яка структура MFF?*
3. *Які напрями визначено пріоритетними для економічного розвитку ЄС відповідно до MFF? Поясність, які сфери охоплює кожен напрям.*
4. *Що означає «стеля» виплат і які види визначено у MFF?*
5. *Які механізми та інструменти передбачено для реагування на кризові явища?*

The MFF: the EU long-term spending plan [16]

The multiannual financial framework (MFF) lays down the maximum annual amounts ('ceilings') which the EU may spend in different political fields ('headings') over a period of at least 5 years. The upcoming MFF covers seven years: from 2014 to 2020.

The MFF is not the budget of the EU for seven years. It provides a framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits. It also allows the EU to carry out common policies over a period that is long enough to make them effective. This long term vision is important for potential beneficiaries of EU funds, co-financing authorities as well as national treasuries.

By defining in which areas the EU should invest more or less over the seven years, the MFF is an expression of political priorities as much as a budgetary planning tool. The annual budget is adopted within this framework and usually remains below the MFF expenditure ceilings in order to retain some flexibility to cope with unforeseen needs.

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[16] http://ec.europa.eu/budget/mff/introduction/index_en.cfm

Proposed by the European Commission, the regulation laying down the MFF must be adopted by the Council by unanimity after obtaining the consent of the European Parliament.

The MFF is part of a comprehensive package which also comprises the EU own resources and a set of sector-specific legislations defining the conditions of eligibility and the criteria for the allocation of funds for each EU spending programme.

The functioning of the MFF 2014-20 will be reviewed by the Commission in 2016 taking full account of the economic situation at the time as well as the latest macroeconomic projections.

MFF Structure and Content
Headings – The EU policy areas

For the period 2014-2020, the MFF sets a maximum amount of **EUR 960 billion** for commitment appropriations and **EUR 908 billion** for payment appropriations. The MFF 2014-20 is divided into six categories of expense ('headings') corresponding to different areas of EU activities:

1. **Smart and Inclusive Growth**

a. **Competitiveness for growth and jobs**: includes research and innovation; education and training; trans-European networks in energy, transport and telecommunications; social policy; development of enterprises etc.

b. **Economic, social and territorial cohesion**: covers regional policy which aims at helping the least developed EU countries and regions to catch up with thr rest, strengthening all regions' competitiveness and developing inter-regional cooperation.

2. **Sustainable Growth: Natural Resources**: includes the common agricultural policy, common fisheries policy, rural development and environmental measures.

3. **Security and citizenship**: includes justice and home affairs, border protection, immigration and asylum policy, public health, consumer protection, culture, youth, information and dialogue with citizens.

4. **Global Europe**: covers all external action ('foreign policy') by the EU such as development assistance or humanitarian aid with the exception of the European Development Fund (EDF) which provids aid for development cooperation with African, Caribbean and Pacific countries, as well as overseas countries and territories. As it is not funded from the EU budget but from direct contributions from EU Member States, the EDF does not fall under the MFF.

5. **Administration**: covers the administrative expenditure of all the European institutions, pensions and European Schools.

6. **Compensations**: temporary payments designed to ensure that Croatia, who joined the EU in July 2013, does not contribute more to the EU budget than it benefits from it in the first year following its accession.

Ceilings – The maximum annual amounts

The MFF lays down the maximum annual amounts ('ceilings') which the EU may spend in these six policy areas and overall over the 2014-20 period. There are two types of expenditure ceilings:

- **An annual ceiling for each heading**, expressed in commitment appropriations (legally binding promises to spend money which will not necessarily be paid out in the same year but may be disbursed over several financial years);
- **An overall annual ceiling**:
  - **for commitment appropriations** corresponding to the sum of each heading ceilings;
  - **for payment appropriations**: the actual amounts authorized for disbursement in a given year. As a rule, budgeted amounts correspond to the sum of payments scheduled for each category. The annual payment appropriations must be covered entirely by total annual revenue.

The overall ceiling is also expressed as a percentage of the EU's estimated GNI. This percentage is updated every year on the basis of the latest available GNI forecasts in order to check that the EU's total estimated level of payments does not exceed the maximum amount of own resources which the EU may raise during a year (1.23 % of the EU's GNI).

The difference ('margin') between budgeted payment appropriations and the annual payment ceiling and the margin between the budgeted commitment appropriations and the expenditure ceiling per heading provide room for manoeuvre in case of unforeseen needs and emergencies.

Flexibility and Special instruments

Flexibility mechanisms enable the EU to mobilise the necessary funds to react to unforeseen events such as crisis and emergency situations. Their scope, financial allocation and operating modalities are provided for in the MFF regulation and the Interinstitutional Agreement. In the current context of reduced expenditure, they also ensure that budgetary resources can respond to evolving priorities, so that every euro is used where it is most needed. Most of the flexibility mechanisms are therefore kept outside the MFF and the funding can be mobilised above the expenditure ceilings.

Taking into account past experience, the scope for intervention for some special instruments, such as the Emergency Aid Reserve has been broadened, the maximum allocation increased and the carrying over of unused amounts to the following year(s) has been allowed.

- **Emergency Aid Reserve – maximum €280 million per year**

The Emergency Aid Reserve is designed to finance humanitarian, civilian crisis management and protection operations in non-EU countries in order to quickly respond to unforeseen events. For example, the Emergency Aid Reserve was mobilised in 2012 following the outbreak of conflict in Syria, the conflicts in Mali and the drought in the Sahel.

- **Solidarity Fund - maximum €500 million per year**

The EU Solidarity Fund aims to release emergency financial aid following a major disaster in a Member State or candidate country, such as the 2009 earthquake in the Italian Abruzzo region or the 2012 floods in Germany. Aid is managed by the recipient country, and should be used to rebuild basic infrastructure, fund emergency services, temporary accommodation or clean-up operations, or counter immediate health risks.

- **Flexibility instrument - maximum €471 million per year**

The Flexibility instrument provides funding for clearly identified expenses which cannot be covered by the EU budget without exceeding the maximum annual amount for expenditure set out in the MFF. For exemple, the Flexibility instrument was used in 2009 to contribute to the financing of energy projects in the context of the European Economic Recovery Plan and to the decommissioning of a nuclear power plant in Bulgaria.

- **European Globalisation Adjustment Fund - maximum €150 million per year**

The European Globalisation Fund aims to help workers reintegrate into the labour market after they have been made redundant as a result of major structural changes in world trade patterns (e.g: as a consequence of the global financial and economic crisis). For example, it supported Belgian workers after the General Motors Antwerp plant closed-down.

In addition to these existing instruments, **new flexibility measures** have been introduced in the MFF 2014-20:

- **Flexibility for payments**: under certain conditions and within the overall ceilings set in the MFF, unused payment appropriations and margins can be carried over from one financial year to the next. The payment ceiling of the years in which the unused margins arise must be cut accordingly in order to leave the overall ceiling unchanged.
- **Flexibility for commitments in growth and employment**: commitment appropriations left unused in 2014-17 will form a reserve for additional expenditure in 2016-20 in the area of growth and employment (in particular for youth employment).
- **Special flexibility for youth employment and research**: in order to concentrate a maximum of funds where they are the most needed as early as possible, up to €2.1 billion can be brought forward to 2014-15 for the Youth Employment Initiative and up to €400 million for research, Erasmus and SMEs.
- **Flexibility for aid to the most deprived**: on a voluntary basis, Member States can increase their allocation for the aid to the most deprived by €1 billion.
- **Contingency Margin**: this is a last resort instrument to react to unforeseen circumstances and amounts to 0.03 % of the EU's gross national income (GNI).

Спільні політики ЄС

Завдання 5.1. *Здійсніть аналіз тенденцій розвитку окремого напряму спільної політики Європейського Союзу відповідно до запропонованого переліку використовуючи при цьому офіційні аналітичні та статистичні матеріали.*

Завдання необхідно виконати у вигляді мультимедійної презентації та особисто представити на практичному занятті.

1. The European Union explained. Enlargement - http://europa.eu/pol/pdf/flipbook/en/enlargement_en.pdf
2. The European Union explained. Economic and monetary union and the euro http://europa.eu/pol/pdf/flipbook/en/economic_and_monetary_union_and_the_euro_en.pdf
3. The European Union explained. Trade http://europa.eu/pol/pdf/flipbook/en/trade_en.pdf
4. The European Union explained. Regional policy http://europa.eu/pol/pdf/flipbook/en/regional_policy_en.pdf
5. The European Union explained. Competition http://europa.eu/pol/pdf/flipbook/en/competition_en.pdf
6. The European Union explained. Agriculture http://europa.eu/pol/pdf/flipbook/en/agriculture_en.pdf
7. The European Union explained. Budget http://europa.eu/pol/pdf/flipbook/en/budget_en.pdf
8. The European Union explained. Employment and social affairs http://europa.eu/pol/pdf/flipbook/en/employment_en.pdf
9. The European Union explained. Energy http://europa.eu/pol/ener/flipbook/en/files/energy.pdf
10. The European Union explained. Environment http://europa.eu/pol/env/flipbook/en/files/environment.pdf

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Навчально-методичне видання

Катерина Деделюк

Економіка Європейського Союзу

Методичні вказівки до вивчення курсу
(завдання для самостійної роботи)

Друкується в авторській редакції