The Eurasia Proceedings of
Educational & Social Sciences (EPESS)
ISSN: 2587-1730

The Eurasia Proceedings of Educational & Social Sciences (EPESS), 2022

Volume 27, Pages 85-95

IConMEB 2022: International Conference on Management Economics and Business

Comparison of the Multiannual Financial Frameworks in the European Union and its Hungarian Aspects

János VARGA
Óbuda University

Mónika GARAI-FODOR
Óbuda University

Ágnes CSISZÁRIK-KOCSIR
Óbuda University

Abstract: The long-term viability of the European Union depends not only on well-defined goals, but also on the financial means behind them. Integration can achieve greater success in areas that nation states would otherwise not be able to do effectively enough on their own. Examples include sustainability and strengthening international competitiveness. There are therefore some tasks that can be more successfully achieved at Community level, but they would require adequate financial support. The EU itself has an annual budget, but even more interesting is the so-called Multiannual Financial Framework, which sets out not only the financial possibilities but also the prevailing economic strategic orientations. Some areas are given priority, while others have to be diverted. Budgeting in this way is a continuous series of choices and dilemmas, which are not easy decisions for the decision-maker. The present study aims to compare the structure of the two most recent Multiannual Financial Frameworks and focuses on Hungary's share of each heading. The study will hopefully make it clear that EU funding is a complex issue and that planning an appropriate budget is not as simple as one might first think.

Keywords: EU, Budgeting, Crisis management

Introduction

War. The Treaty of Rome in 1957 set in motion a process that has now resulted in a multi-country economic integration. Although this is not a long history, the events and changes that have taken place during this period have nevertheless presented the Member States with significant challenges. It can be argued that, although the common journey so far has been short in time, the challenges have become greater in recent years. This is particularly true today, as the 2000s have brought very serious challenges. The crisis of 2008 was a stark testimony to this, and we recovered a little from it to witness a new set of adverse events. The COVID-19 pandemic situation should be mentioned here, and then the Russian-Ukrainian conflict, which culminated in a major energy crisis, which together created a very difficult situation in the countries of the European Union. Since the first wave of the pandemic, a permanent emergency situation has been present in the European Union, which has required member states to adapt to a permanent emergency mode (Tesche, 2021).

The stability and prosperity of the European Union (EU) depends on its ability to take timely and effective measures to repair the damage caused by COVID-19 and prepare for a better future for the next generations (Crescenzi et al, 2021). The decision-makers had little choice. It is necessary to adapt to the situation, to mitigate the adverse effects and to take measures to make this period as painless as possible for economic operators and society. This is obviously not an easy task, but flexibility, adaptation and change are needed at EU

- This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

- Selection and peer-review under responsibility of the Organizing Committee of the Conference

© 2022 Published by ISRES Publishing: www.isres.org

level. This comparative study seeks to explore the tangible manifestations of this. The EU has also tried to adapt quickly to changed circumstances (Fernandez, 2021). The real evidence of this is the EU budgeting, where we can always observe some kind of strategic priority (Murzyn, 2018; Reininger, 2021). It should also be seen that in such a period of crisis, it is not possible to focus on all areas at once. Challenges make policy changes in, for example, R&D policy quite likely, but this is also true for other areas (Kaiser & Prange-Gstöhl, 2010). EU budget planning refers to the process of budget planning for a given year, while we can also talk about a so-called Multiannual Financial Framework (MFF), which plans the direction of the EU budget for longer cycles. EU budget planning has also had to respond to current challenges, since the resources provided by the EU must also serve to finance specific objectives. Obviously, different objectives were set for the 2014-2020 planning period (for example, support for agriculture was of paramount importance) (Greer, 2013) compared to the current 2021-2027 period. The priorities have changed (Rabesandratana, 2018).

Today, the aim is to mitigate as much as possible the effects of the recent crises and to help EU actors through the crisis. New goals have emerged today. Creating a more resilient, flexible and dynamic integration has become a key priority. Building resilience, promoting sustainability or supporting digitalisation are important priorities. All this requires a completely different budget, as these EU-level objectives need to be financed through programmes, projects and appropriations. New funds need to be created to ensure that they are adequately funded. So the question is: has the EU budget planning really changed in the last period and can we detect a change in priorities? The best way to get a sense of this is to compare two multiannual budgetary periods, the Multiannual Financial Framework 2014-2020 and the Multiannual Financial Framework 2021-2027. From these, we should see what were the most important objectives to be achieved for the two periods. Is the current budget planning focus really different from previous years? Is successful crisis management and resilience building really the main priority of the current budget planning? These questions are also answered by comparing the EU's last and current Multiannual Financial Framework. Given that Hungary is also a full member of the European Union, we looked with interest at the Hungarian economy's relationship with the common budget.

In our study, we set out hypotheses.

> H1: the Multiannual Financial Framework 2021-2027 has a stronger focus on investment and employment in crisis management and resilience building, but not enough focus on adequate support for the competitiveness pillars, which would be key for the growth and competitiveness of the EU as a whole. The Multiannual Framework is thus primarily more of a bail-out and support to Member States rather than a longer-term boost to competitiveness, which would be essential to recover from crises.
>
> H2: In the 2021-2027 budgetary programming period, Hungary will not be able to draw on any more resources to further strengthen Hungarian competitiveness. Hungary will not be in a better position in the coming years than in the previous period.
>
> H3: In the new EU programming period (2021-2027), the Digital Europe goal (to promote digitalisation) and the European Green Deal (the European Green Deal, which sets a target of 0% emissions in the EU by 2050) mean that the Multiannual Framework will need to show an intensive increase in the sustainability or digitalisation chapters to help achieve these goals.

To test these hypotheses, a comparison of the Multiannual Financial Frameworks provides useful information.

Systematic Literature Review

The EU budget still functions essentially as an intergovernmental budget (Crowe, 2021). This means that although the budget is managed at EU level, the contributors are the member states that create the revenue side of the budget through GNI-based contributions. These contributions are the most important items on the revenue side, which are supplemented by other sources (also seeking to reduce the Member States' liabilities). EU expenditure is spread over a number of programmes and mechanisms (Cipriani, 2021). The nature of these programmes and mechanisms is essentially aligned with the EU's objectives and policy priorities for the period. The EU budget must therefore be understood in terms of a comparison between revenue and expenditure. The general budget of the EU is nothing but a public finance plan, comprising revenue and expenditure, which is economic in nature and an instrument of EU financial policy (Tyniewicki, 2008).

The EU budget is essentially linked to:

- achieving regional convergence
- increasing economic growth
- achieving EU goals and objectives (Ferrer & Katarivas, 2014).

The EU's common budget should always be aligned with the objectives set out in EU policies. However, other circumstances often influence the structure of the EU budget. In recent years, new spending needs have emerged (e.g. external border protection, climate protection), but there have also been significant changes in revenue, with the departure of a major contributor after the UK's exit from the EU (Elżbieta, 2020). There have also been repeated debates among member states and EU institutions on what constitutes an adequate budget, the size of the budget, the level of net contributions, the mix of revenue and expenditure (Begg, 2016).

The EU has essentially an annual budget and a long-term financial framework. The annual budget will of course be a set of appropriations and commitments that can be planned and used for a given year, for example the budget for 2021 or 2022. The EU budget is basically set up to ensure the financing of the common policies adopted by the Member States (Szemlér, 2019). However, the annual budget is different from the multiannual framework. The annual budget is embedded in the EU's multiannual financial framework, so the difference between the two is that the multiannual framework can be said to be a financial planning over a longer period of time, while the EU budget itself is a financial plan for a given year to promote EU goals. The multiannual financial framework has been a concept in the European Union since 1988. It has also brought great stability to the annual budget negotiations and put an end to a long-standing interinstitutional conflict. The formulation of EU policies and the limits of financial flexibility in budget planning depend to a large extent on the final agreement on the long-term framework. It can therefore be said that the adoption of the MFF will determine the planning and structure of each budget year.

The MFF sets the ceilings on the amount of money the EU can spend, establishes budget programmes that specify where money is to be spent and also sets out the rules that describe how spending is to be financed (Leen, 2016; Rodriguez, 2021). Since the adoption of the multiannual financial framework, it has almost always been possible to adopt annual budgets (Halmai, 2018). Another argument in favour of the multiannual framework is that investment and investment programmes are, by their very nature, more sensible to plan for the long term (OECD, 2017). Once the multiannual framework has been adopted, it also allows for budget planning for specific years. The most recent period of long-term planning was the 2014-2020 programming period and we are now in the 2021-2027 period. The following chapters of this study will attempt to compare these. Both the EU annual budget and the new multi-annual framework will have to address a number of challenges.

The main crises affecting the Union and budget planning have been:

2008: Financial crisis
2011-2014: euro area crisis
2015-2016: migration crisis
2016-2020: Brexit
2021- : COVID-19
2022- : Russian-Ukrainian conflict

These crises have posed significant challenges for EU budget planning, not only to finance core policy objectives and the functioning of the Union, but also to promote crisis adaptation and resilience, which require additional budget headings (Rietig, 2021; Gravey, 2014). The question is therefore whether their impact will be directly reflected in the new programming period (2021-2027) and whether a financing structure for integration that meets these objectives can be successfully put in place.

Results and Discussion

1. EU Multiannual Financial Framework 2014-2020

For the programming period 2014-2020, the Multiannual Financial Framework had six basic chapters. The chapters always refer to the key policy areas where EU integration aims to achieve significant results in the period.

Chapters:

1. Smart and Inclusive Growth (INK)
2. Sustainable growth: natural resources (FEN)
3. Security and citizenship (BIS)
4. Global Europe (GLO)
5. Administration (ADM)
6. Compensation (COM)

For the first time we need to look at the total appropriations for the Multiannual Framework 2014-2020. As the following graph shows, the 7-year envelope has increased the most in the last two years, resulting in a significantly higher budget compared to 2017. This of course required a strengthening of the revenue side of the budget. Unsurprisingly, own revenue in 2018 and 2019 was higher than in previous years, but this was of course complemented by additional resources.

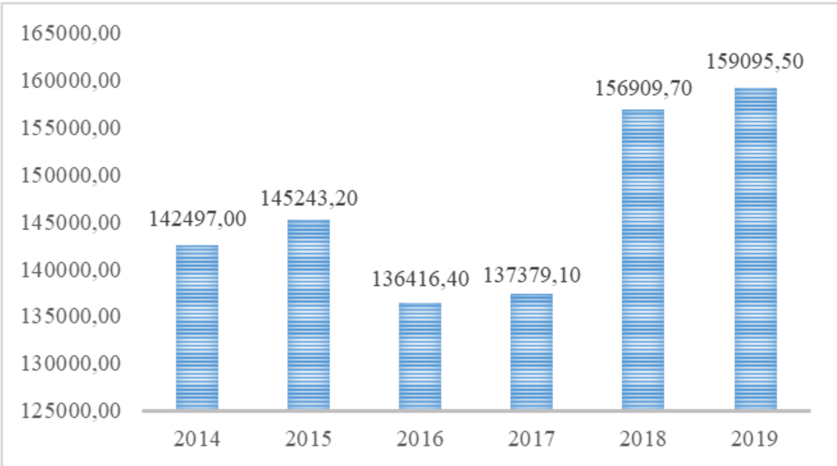

Figure 1. Total budget timeline for the seven-year framework (in MEUR) (2014-2020)
Source: Databases of the European Union

Own resources are always more interesting because they are paid directly by the Member States as a GNI-based contribution. Looking at the data series, we can see that the evolution of own resources was already much higher in 2019 compared to 2014. This is strongly linked to the fact that the EU has gradually faced new challenges. New problems and new tasks have increased the number of projects and investments to be financed, more and more earmarked funds have had to be set up and the number of operational cases has gradually increased. The latter also increased administrative and management costs at EU level.

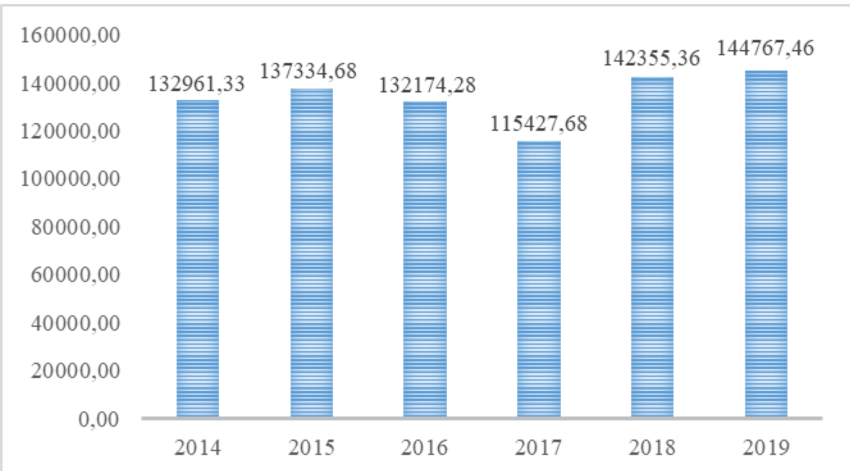

Figure 2. Evolution of own revenue for the seven-year framework (in M EUR)(2014-2020)
Source: Databases of the European Union

It may be particularly interesting to know what each chapter covers. In an earlier paragraph of the study, we argued that these chapters also express policy priorities, EU and national objectives and ambitions. The following sub-areas and objectives were identified in each chapter:

1. smart and inclusive growth (smart and inclusive growth): jobs, employment, research, innovation, education skills, trans-European networks, transport, social policy, enterprise development, regional cohesion, catching-up.
2. sustainable growth: natural resources (FEN): agricultural policy, fisheries policy, rural development, environmental protection measures
3 Security and Citizenship (SCC): justice and home affairs, border protection, immigration and asylum policy, public health, consumer protection, culture, youth, citizens' dialogue
4 Global Europe (GLO): EU external policy, assistance to third world countries
5. administration (ADM): EU institutions
6. compensation (COM): temporary payments

The study also looks at the share of the Hungarian economy under each chapter. The table below shows that Hungary's share of the MFF was highest under two headings. These two headings were Smart and Inclusive Growth (SGG) and Sustainable Growth (SGG). The other headings allocated little or no money to Hungary.

Table 1. Hungary's share of the multiannual framework chapters (in M EUR)(2014-2020)

Years							
2014	6620,21	4686,70	1894,60	18,62	5,22	15,07	0,00
2015	5629,08	3774,71	1791,35	42,19	6,37	14,45	0,00
2016	4546,11	2836,49	1667,17	27,17	0,05	15,23	0,00
2017	4049,14	2480,33	1516,87	35,96	0,00	15,98	0,00
2018	6298,11	4533,46	1715,81	31,81	0,41	16,62	0,00
2019	6202,47	4305,62	1827,30	52,80	0,00	16,75	0,00
	TOTAL	INK	FEN	BIZ	GLO	ADM	KOM

Source: Databases of the European Union

Looking again at all the chapters, it is perhaps not surprising that Hungary was the country most interested in the first two. Indeed, these two chapters are the ones most closely associated with economic growth or national competitiveness. These are precisely the areas where the country would have liked to catch up more intensively. At the same time, we have also mentioned that the budget is not only drawn down by the Member States, but also paid into. It is therefore worth looking at the ratio between payments and calls. We need to compare the country's payments (on a GNI basis) with the amounts called up. We can see that in 2016 and 2017, Hungarian contributions hardly changed, but significantly less money was available for drawdown. This started to recover in 2018, but from 2018 onwards Hungarian payments have also increased. The country was able to draw down the most money in 2014, when it had the highest drawdown/deposit ratio. We should also see that Hungary has been drawing down significantly more money each year than it has been paying into the budget. The drawdown/deposit ratio is calculated by dividing the drawdown by the deposit. This shows how many times more Hungary has called than it has paid into the common budget.

Table 2. Drawdowns and payments and their share for Hungary (2014-2020)

Years	Deposit	Drawdown	Drawdown/Deposit rate
2014	1020,72	6620,21	6,49
2015	1093,75	5629,08	5,15
2016	1066,63	4546,11	4,26
2017	969,78	4049,14	4,18
2018	1268,92	6298,11	4,96
2019	1289,73	6202,47	4,81

Source: Databases of the European Union

Table 3. Evolution of the INK heading in Hungary in relation to total available resources (2014-2020)

Years			*Distribution in %*
2014	6620,21	4686,70	70,79%
2015	5629,08	3774,71	67,06%
2016	4546,11	2836,49	62,39%
2017	4049,14	2480,33	61,26%
2018	6298,11	4533,46	71,98%
2019	6202,47	4305,62	69,42%
	TOTAL	INK	%

Source: Databases of the European Union

The vast majority of the funds that Hungary was able to draw down were related to two headings, namely Smart and Inclusive Growth (SGG) and Sustainable Development (SD). Hungary hardly drew down funds from the other headings. It is worth looking at what the country has used most of the resources under these two main headings. The Smart and Inclusive Growth (INK) chapter accounted for the largest percentage of the resources called up by Hungary. The following table illustrates this very well.

Smart and inclusive growth can be divided into two parts:

1.1 Competitiveness for growth and jobs sub-heading (COM)
1.2 Economic, Social and Territorial Cohesion (ESC)

The following table shows the share of sub-heading 1.1 under heading INK, which is indicated by COM, and the share of sub-heading 1.2, which is indicated by COH. As can be seen from the table below, of the Smart and Inclusive Growth heading, which accounted for 70% of our total resources available, almost 100% of this heading is also 1.2, i.e. Economic, Social and Territorial Cohesion. It can be seen from the table that the TOTAL column represents the total resources received, compared to which the cohesion sub-heading accounts for the largest share. However, the resources allocated to strengthening competitiveness are smaller. It is also worth looking at the factors within the two sub-headings which are highly valued. In the table, the % column indicates the percentage of the total INK heading allocated to competitiveness and the percentage allocated to cohesion. It is clear that this resource is used by Hungary for cohesion.

Table 4. Utilisation of the INK heading in Hungary in relation to the total available resources (2014-2020)

Years						
2014	6620,21	4686,7	232,16	4,95%	4454,54	95,05%
2015	5629,08	3774,71	81,52	2,16%	3693,20	97,84%
2016	4546,11	2836,49	98,03	3,46%	2738,46	96,54%
2017	4049,14	2480,33	339,78	13,70%	2140,54	86,30%
2018	6298,11	4533,46	98,08	2,16%	4435,38	97,84%
2019	6202,47	4305,62	134,61	3,13%	4171,01	96,87%
	TOTAL	INK	Com	%	Coh	%

Source: Databases of the European Union

In the following, those rows are highlighted which represent the most significant item in row 1.1 (COM) and row 1.2 (COH). First, the sub-heading Competitiveness for Growth and Jobs (COM) is reviewed. Hungary could also receive less funding from this sub-heading for 2019 than it did when the MFF started. In 2014, 232.16 MEUR were available for strengthening competitiveness, but this dropped quite a bit. In 2019, 134.61 MEUR was available, but this was still only 3.13% of the Smart and Inclusive Growth resource. Overall, it can indeed be concluded that only a small part of the resources was used to strengthen competitiveness. But this sub-heading covers quite a number of areas, such as innovation, education and entrepreneurship. What follows is a description of where most of the resources within this sub-heading have been spent:

1.1.3 Common Strategic Framework (CSF) Research and Innovation EN (EUR million)

Common Strategic Framework for Research and Innovation. Within sub-heading 1.1, most budget lines have 0 EUR or very low, almost negligible values. "More 'serious' amounts were only found for 1.1.3. The values are illustrated in the following table. It is clear that hardly any resources are allocated to innovation and R&D. In 2017, this was an outlier, but apart from that, the values of EUR 40-50 million are not really outstanding. This is around 16-20 billion forints. This is hardly enough to create an innovative economy. Within 1.1.3 we find the Horizon2020 strategy, which can be understood as a framework programme for innovation and R&D.

Table 5. The common strategic framework for R&D and innovation in Hungary (2014-2020)

Years	
2014	193,25
2015	44,43
2016	44,00
2017	284,57
2018	47,64
2019	54,73

Source: Databases of the European Union

The other major item within this is 1.1.5, The Union Programme for Education, Training and Sport (Erasmus+) EN (EUR million), the EU's joint programme for education, training and sport, Erasmus+. Again, only two years, 2018 and 2019, were available under this line, with EUR 40 MEUR in 2018 and EUR 70M in 2019.

The other lines either have virtually no amounts or barely a few million euros. For example, if we add up the 2018 figures, we see that the CSF (1.1.3) amounts to 47.64 MEUR and Erasmus+ to 40 MEUR, which is almost the same as the 2018 figure for sub-heading 1.2. In short, it can be seen that apart from the two points above, the competitiveness sub-heading does not really represent a large proportion. The other heading, cohesion (COH), contains much larger amounts. As shown above, the cohesion sub-heading accounts for about 95-97% of the inclusive growth heading, while the inclusive growth heading itself accounts for about 70% of the total resources, so it can be said that Hungary could indeed spend most on cohesion. The blue line indicates the total resources. The grey line shows smart and inclusive growth. You can see that this accounts for a significant part of the resources. Within inclusive growth, the thick orange line shows that this heading is almost entirely devoted to cohesion.

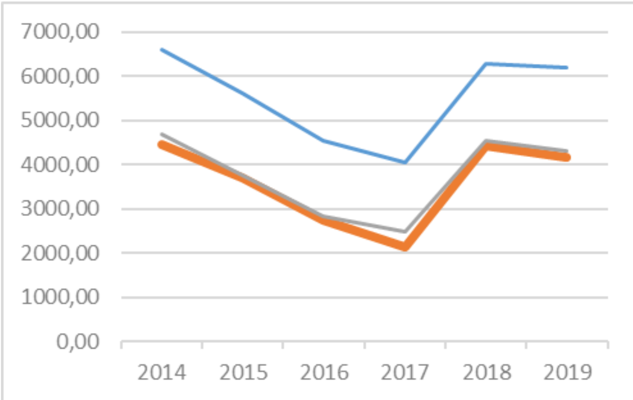

Figure 3. Changes in cohesion funding in Hungary (2014-2020)
Source: Databases of the European Union

It is worth looking at the nature of the budget lines within the COH heading where there are priority amounts. There is only one such line, which is 1.2.1.

- 1.2.1 Investment for growth and jobs EN (EUR million)

Investment for growth and jobs. This sub-heading is hereafter called INV. It is necessary to examine how much of sub-heading 1.2 is accounted for by this heading, as shown in the following table.

Table 6. Changes in the most important heading of the cohesion heading (INV) in Hungary (2014-2020)

Years				
2014	4686,70	4454,54	4287,06	0,962404
2015	3774,71	3693,20	3503,51	0,948638
2016	2836,49	2738,46	2575,26	0,940405
2017	2480,33	2140,54	2126,39	0,993388
2018	4533,46	4435,38	4281,09	0,965213
2019	4305,62	4171,01	3915,06	0,938636
	INK	Coh	INV	%

Source: Databases of the European Union

In practice, there is no point in analysing further lines, as it can be seen that the cohesion sub-heading goes almost entirely to line 1.2.1. We can clearly state that in the programming period 2014-2020, Hungary could spend most of its money in the cohesion area on growth and jobs. Looking at the above headings and budget lines, the following conclusions can be drawn for Hungary:

1. the Multiannual Framework has financed inclusive growth and sustainability,
2. it could hardly allocate resources to competitiveness within inclusive growth,
3. within inclusive growth, it could spend almost everything on cohesion,
4. within cohesion, it could spend all its resources on growth and jobs,
5. in sustainability, it could spend around 30% of its available resources.

2. EU Multiannual Financial Framework 2021-2027

The 2014-2020 Multiannual Framework had a budget of €1.082 billion. For the period 2021-2027, it will (has been) slightly higher: €1.134 billion. Although the amount of the Multiannual Framework shows a slight increase, the contribution as a percentage of GNI will decrease. While the EU27 contributed 1.16% of GNI for the previous envelope, the next envelope will only require a contribution of 1.11%. This is explained by the fact that other own resources will be valorised and is certainly commendable for the next cycle. The next multiannual framework will also be structured around headings, with some headings overlapping, while new headings have been added in the new framework.

Table 7. Chapters of the Multiannual Framework 2021-2027 and the previous period

Multiannual Framework 2014-2022 & 2021-2027	
1. Smart and Inclusive Growth (47.2%) 1.a Competitiveness (13%) 1.b Cohesion (34.2%) 2. Sustainable Growth: Natural Resources (38.6%) 3. Security and Citizenship (1.6%) 4. Global Europe (6.1%) 5. Administration (6.4%) 6. Compensation (1%)	1. Single Market, Innovation, Digitalisation (14.7%) 2. Cohesion and Values (34.5%) 3. Natural Resources and Values (29.7%) 4. Migration and Border Management (2.7%) 5. Security and Defence (2.1%) 6. Neighbourhood and The World (9.6%) 7. European Governance (6.7%)
2014-2020	2021-2027

Source: Databases of the European Union

Cohesion will not have a bigger share in the next multiannual framework, but it will still be the biggest heading. In the 2014-2020 framework, Hungary also received the largest share of cohesion and this will not change in the next cycle. In fact, Hungary is not the biggest beneficiary of the new framework, but countries such as Poland. The next big budget cycle will create the transition support that would be provided to those who need to become climate neutral in most areas. Basically, the next multi-annual framework will be divided into two parts. On the one hand, the EU's seven-year budget, and on the other, recovery. For recovery, €750 billion will be available for Member States. Of this, €390 billion is grant aid and €360 billion is loans. The latter will of course have to be repaid by the Member States. The loan is also appropriate because it will have to be repaid from 2028. Another special feature of the new budgetary period is that new resources are being sought. It is almost certain that several countries will take up the possibility to borrow. The EU's new financial framework will seek to continuously expand financial possibilities. This means, on the one hand, that mechanisms for raising funds have been developed, such as the Green Bond and other bond issuance standards. Bond issuance allows for additional market borrowing that can be used to finance long-term goals and to support recovery. The framework is indeed flexible. This flexibility is reflected in the fact that new resources would be created on the fly, for example in the form of new taxes and levies. A number of environmental taxes could be introduced, but perhaps the biggest draw would be a tax on digital businesses or a tax on large, international multi- and transnational corporations. These could only help to finance the framework after 2023. Hungary will also have access to the appropriations offered by the main chapters of the framework. The new framework's chapters are significantly different from the previous ones. But there are significant changes. 30% of total programme spending will be linked to climate, so there will be more opportunities for countries that implement projects in this context. The new framework puts the issue of digitalisation at the forefront. Helping the digital switchover is a priority for the next seven years. The Multiannual Framework also includes a reserve to help and support the Member States most affected by Brexit. As Hungary has a number of trade links and interests with the UK, it could also legitimately apply for this funding. The introduction of new funds also creates new opportunities. The framework would reduce the GNI-based contribution of Member States, but this is conditional on the generation of own resources in the long term. The own resources system would be developed in four stages. First, a contribution based on non-recycled plastic waste would be introduced. This is already in place from 1 January 2021. This would be followed by a mechanism to offset the carbon intensity of imported consumer goods and a digital levy, to be introduced from 1 January 2023. After that, no specific dates are given, but it is expected that the 3rd step would be the creation of a dedicated resource based on the EU ETS. In these years, further own resources will have to be decided and provided for. The latter are also very important because they would finance the EU's Next Generation programme, which is key to recovery. In this budget period more resources are available for Horizon Europe, which is also closely linked to innovation and research and development. This programme will also provide Hungary with a larger framework to support innovation and education more intensively. In particular, more resources should be used effectively for innovation and research and

development. Hungary will also have wider access to mobility programmes, especially student mobility. This has already been done in the 2014-2020 budget period, as we have seen, to the tune of between €40 and €70 million. This will increase in the future. The new multiannual framework will give all Member States, including Hungary, the opportunity to spend more on climate policy, on promoting migration and border protection, on digital transformation. The allocations for these have been increased. In conclusion, Hungary is not the biggest winner of the long-term budget envelope, but we will have the possibility to call on relatively more resources.
The following points show that Hungary has also won with the new long-term framework:

- we can draw down roughly the same amount from the cohesion heading
- Hungary will also have the possibility to attract additional resources, such as loans
- the reconstruction fund will provide the country with approximately €6 billion in aid (but this is subject to rule of law conditions)
- the Multi-annual Framework includes the Equitable Transition Fund, with a value of €7.5 billion. Poland is the biggest beneficiary, with Hungary receiving €82.2 million.

Conclusion

In writing this study, we have set out to achieve two main goals. One is to examine changes in the European Union's so-called Multiannual Financial Framework. This was achieved by comparing the 2014-2020 and the 2021-2027 long-term programming periods. We also wanted to focus on Hungary's share of these and on the way in which the country can draw down the amount available under each heading. In addition to the objectives, hypotheses were formulated. According to H1, the current MFF is structured with a strong focus on crisis management and resilience building, but not enough focus on competitiveness. Looking at the previous and current Multiannual Framework, it can be seen that there will not be significantly less money for competitiveness, but in fact no more. At the same time, it has to be said that preventing crises or increasing resilience could have required that the strengthening of competitiveness at EU level be stepped up even further. This hypothesis has been confirmed, as the current framework is indeed more conducive to recovery and consolidation of the economy than to strengthening long-term competitiveness. The new framework also strengthens financially chapters such as Neighbourhood, Border Management or Public Administration. None of these really promote competitiveness. Resisting crises requires strengthening competitiveness factors in economic actors. This means investing more resources, for example in innovation, education, R&D, knowledge, the human factor or health. We also need to better support entrepreneurship, SMEs and strengthen social care systems. In addition, there is a need to safeguard environmental values, sustainability and the protection of natural and social assets. What makes an economy more resilient? If we build in the skills to respond flexibly, quickly and dynamically to environmental changes. This starts with identifying and strengthening the pillars of competitiveness. But if we look at the chapters of the new Framework, we see that previously 47.2% was the chapter on inclusive and smart growth. This has been split in the new Framework, with cohesion essentially remaining unchanged in proportion, while digitalisation has also been added, for which additional resources will be needed. At the same time, other forms of innovation should be supported, so it might have been more justified to have a larger increase under these headings. A shift in the EU budget towards competitiveness-related headings would have been necessary to strengthen EU competitiveness by an order of magnitude. This has not been done. But the promotion of the green transition is clearly visible, as is the drive towards digitalisation.

In hypothesis H2, it was assumed that Hungary would not be in a more favourable position than in the previous period. This hypothesis has not been confirmed. Overall, Hungary is not the country that will receive the most funds available, so it will not be the biggest winner under the new Framework, but it will be able to draw on slightly more funds than in the previous period. According to hypothesis H3, the new Framework clearly reflects the EU's most important strategic objectives, such as promoting digitalisation and sustainability. The EU has announced a digital and green transition, for which it intends to create the right funding opportunities. We assumed that this would be reflected in the new Framework. The hypothesis has been confirmed. The Multiannual Framework 2021-2027 includes digitisation as a budget heading. However, we can see that the former sustainable growth heading, which accounted for 38.6% of the total envelope, is now renamed Natural resources and values and represents only 29.7%. This is a somewhat deceptive figure because the EU has stipulated for most of the headings for the period 2021-2027 that it will give priority to projects related to climate and climate change, green transition or sustainability. For this reason, part of the other headings will also be linked to greening, so that in fact much more money will be spent on these objectives than is specifically earmarked for them under this heading. For Hungary, cohesion funds will continue to be the biggest item. The amount available under the previous envelope was EUR 21.633 million, under the new envelope it will be EUR

22.526 million. More money can therefore be spent on growth and employment, which can be very important in a period of crisis. The priority for the EU and its Member States now is to stabilise the economy. However, being reactive cannot stop at stabilisation. Longer-term thinking is needed. While this can be seen, for example, in the climate targets for 2050 or in the planning of new own resources, it is less visible in what will be the basis for EU and national competitiveness in the future. What will really make Europe stronger and what does the EU Multiannual Financial Framework aim to support most in order to make integration more competitive and thus more crisis-resilient? This is difficult to take out of the current Multiannual Framework for the time being, but it can help to stabilise the EU with the Next Generation EU.

Scientific Ethics Declaration

The authors declare that the scientific ethical and legal responsibility of this article published in EPESS journal belongs to the authors.

Acknowledgements or Notes

* This article was presented as an oral presentation at the International Conference on Management Economics and Business (www.iconmeb.net) held in Antalya/Turkey on November 15-18, 2022

References

Begg, I. (2016). The EU budget and UK contribution. *National Institute Economic Review, 236* (1). pp. 39-47.

Cipriani, G. (2021). Improving the accountability of the eu budget’s multi-level implementation: strengthening the contribution of the European court of auditors. *German Law Journal. Vol. 22*. Special Issue 3. 5 May, 2021

Crescenzi, R., Giua, M. & Sonzogno, G.V. (2021). Mind the Covid-19 crisis: an evidence-based implementation of Next Generation EU. *Journal of Policy Modeling. Volume 43*. Issue 2, March-April 2021, pp. 278-297.

Crowe, R. (2021). An EU budget of states and citizens. *European Law Journal, Volume 26*. Issue 5-6. pp. 331-344. https://doi.org/10.1111/eulj.12398

Elżbieta, K.W. (2020). Assessment of the European Commission's proposals for financing the EU budget in 2021-2027. *International Journal of Management and Economics, Warsaw School of Economics, Collegium of World Economy, vol. 56*(3), pp. 193-208.

Fernandez, J.E. (2021). A critical analysis on the European Union’s measures to overcome the economic impact of the COVID-19 pandemic. *European Papers (e-Journal).* https://doi.org/10.15166/2499-8249/0

Ferrer, J.N. & Katarivas, M. (2014). *What are the effects of the EU budget: driving force or drop in the ocean?* Centre for European Policy Studies 2014. Brussels, Belgium

Gravey, V. (2014). Austerity at EU level? How the crisis impacted EU budget and policies. *Political Perspectives, Volume 8,* Issue 2 (4), 1-19

Greer, A. (2013). The common agricultural policy and the EU budget: stasis or change? *The European Journal of Government and Economics Vol. 2*. No. 2. (2013). Article 47

Halmai, P. (2018). Az Európai Unió közös költségvetése. *Dialóg Campus Kiadó, Budapest* (In English: *The common budget of the European Union)*. ISBN 978-615-5764-19-3

Kaiser, R. - Prange-Gstöhl, H (2010) A paradigm shift in European R&D policy? The EU budget review and the economic crisis. *Science and Public Policy, Volume 37,* Issue 4, May 2010, Pages 253–265.

Leen, A.R (2016). The multiannual financial framework of the European Union: a political power game. *Athens Journal of Social Sciences. Vol. 3*. Issue 1. pp. 7-18. https://doi.org/10.30958/ajss.3-1-1

Murzyn, D. (2018). *The European Union budget as an indicator of changes in EU policies*. Central and Eastern European Online Library. Łódzkie Towarzystwo Naukowe. CVI. 2018

OECD (2017). Budgeting and performance in the European Union: A review by the OECD in the context of EU budget focused on results. *OECD Journal on Budgeting. Volume 2017*/1.

Rabesandratana, T. (2018). Europe's science spending set for another big boost. *Science, Vol. 360*. No. 6392. pp. 952-953. https://doi.org/10.1126/science.360.6392.952

Reininger, T. (2021). *The EU budgetary package 2021 to 2027 almost finalised: an assessment. WIIW Policy notes and reports 45*. The Vienna Institute for International Economic Studies February 2021

Rietig, K (2021) Accelerating low carbon transitions via budgetary processes? EU climate governance in times of crisis. *Journal of European Public Policy, 28*,7, 1018-1037. https://doi.org/10.1080/13501763.2021.1918217

Rodriguez, P.M. (2021). *The EU budget: the new mff and the recovery instrument: Next Generation EU*. Intituo Espanol De Analistas Financieros. IEAF-FEF Publications. 2021.

Szemlér, T. (2019). European Union budget and common policies: evolution and vision for the future. *Európai Tükör, 2019/*1. https://doi.org/10.32559/et.2019.1.1

Tesche, T. (2021). Pandemic politics: The European Union in times of the coronavirus emergency. *Journal of Common Market Studies Volume 60,* Issue 2 pp. 480-496. 26 December 2021 https://doi.org/10.1111/jcms.13303

Tyniewicki, M. (2008). *General budget and budget law of the European Union*. Temida 2, Faculty of Law, University of Białystok ISBN: 987–83–89620–53–8

Author Information

János Varga
Óbuda University, Hungary
varga.janos@kgk.uni-obuda.hu

Mónika Garai-Fodor
Óbuda University, Hungary

Ágnes Csiszárik-Kocsir
Óbuda University, Hungary

To cite this article:

Varga, J., Garai-Fodor, M. & Csiszárik-Kocsir, A. (2022). Comparison of the multiannual financial frameworks in the European Union and its Hungarian aspects. *The Eurasia Proceedings of Educational & Social Sciences (EPESS), 27,* 85-95.