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The EU Budget and Cohesion Policy: Looking to the future

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EPRC EU Cohesion Policy workshop, 5 December 2008, Glasgow

- EU budget consultation
 - academic and policy debate
 - Member State perspectives
- EU Cohesion policy consultation
 - eligibility context
 - Commission perspective
 - Member State perspectives

Perspectives of the Member States: Principles

- Size of the EU budget
 - re-prioritisation (SE, UK), constant (share of GNI) (AT, NL)
 - sufficient resources (EL, PL, PT), increase in I-term (e.g. enlargement) (RO)
- Principles for future policy decisions
 - added value (Most MS, but different interpretations)
 - solidarity (EU12, EL, PT, ES + NL, UK)
 - proportionality (FR, SE, UK...)
 - subsidiarity (DK, SK...)
- Principles of financial management
 - equity (most MS)
 - transparency (AT, DK, HU, PL, SK)
 - efficiency/effectiveness (AT, DE, DK, FR, NL, PL, SE, UK)
 - simplicity (AT, UK)
- No need for more flexibility in the EU budget
- Focus budget review on post-2014 period

Perspectives of the Member States: Revenue

Future of 'own resources'

- No consensus
 - some support for an EU tax, the allocation of part national tax shares, new financial instrument: simpler, fairer, more transparent (AT, FI, FR, IT, LU)
 - others ambivalent (ES, RO), opposed to an EU tax and support GNI-based system (IE, LT, NL, PL, SK, SE)
- Key principle is 'fairness' in contributions:
 - relationship between national GDP and budget payments
 - net balances
- Opposition to special/general corrections mechanism, but could be necessary if expenditure is unfair (FR, IT, MT, SE)

Perspectives of the Member States: Expenditure

European added value

- Universal support, but different interpretations
 - greater benefit at EU level cf. to national/local levels (CZ, DK, NL, SK, UK) or private initiatives (NL)
 - specific criteria: quantify effectiveness, efficiency or efficacy of policies
 - broad criteria: political judgements on contribution of policies to EU objectives

Policy priorities

- Research and innovation
- Environment and energy
- External and internal policies to promote political stability

Perspectives of the Member States: Expenditure

CAP reform

- Some support radical change....
 - phase out Pillar 1 and focus Pillar 2 on public goods (UK, DK, ES, MT, NL)
- ...but most support incremental adjustment
 - food security of strategic relevance (FR, PT)
 - pillar 1 to focus more on environmental standards (AT, CZ, LT)
 - greater market orientation (CZ, ES, DE, IT, SK)
 - budgetary issues
 - equal eligibility conditions and support levels across MS (EU12)
 - already reformed extensively and budget share reduced for 2007-13 (ES...)
 - resistance to national co-financing (ES, CZ, EL, HU, LT, PL, RO)
- Strong support for strengthening rural development (Pillar 2)

Perspectives of the Member States: Expenditure

Cohesion Policy

- Limited to poorer MS (DK, IE, NL, SE, UK, some EU12)
- All MS, with focus on less developed regions (AT, DE, EL, ES, FI, FR, IT, PT)
- CP allocations based on relative wealth so that countries with comparable GDP benefit equally from budget returns (AT, DK, SE)
- New EU policy priorities should not compromise CP budget (EU12)
- Divided views on support for areas on basis of geographic criteria (territorial cohesion debate):
 - no (DE, DK)
 - yes (CY, EL, ES, PL, PT)

Cohesion policy eligibility

Change in Convergence eligibility (2003-5 data)

Convergence Objective	2000-02 data	2003-05 data
Countries (No.)	18	15
Regions (No.)	84	67
Population (mill.)	154 (31% of EU)	121 (25% of EU)

EU15: major loss of coverage

- Germany: 5 regions (no Convergence coverage remaining)
- Greece: 3 regions (from 37 to 24% of population)
- Spain: 3 regions (from 31 to 2.5% of population)
- UK: 2 regions (no Convergence coverage remaining)

Cohesion policy eligibility

EU12 loss of Convergence coverage:

- Malta: country
- Poland: capital region of Mazowiecki
- Slovenia: 1 of 2 regions
- Situation unchanged in remaining EU12 (BG, CZ, EE, IT, LV, LT, HU, SK)

Loss of Cohesion Fund eligibility (2005-7 data)

- EU15: Spain and Greece (only Portugal remains eligible)
- EU12: Cyprus and Slovenia

Concluding remarks

- A complex economic, political and institutional environment
- Starts to get interesting next year
 - COM will kick-start the debate with proposals/options in 2009, but when?
 - Endorsement by EU institutions in 2009/10
 - COM proposal for the next Financial Framework in 2010/11, followed by Cohesion policy proposals
 - Negotiations over 2/2.5 years?