The EU Budget and Cohesion Policy: Looking to the future

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Structure

• 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 l-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)
**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)

<table>
<thead>
<tr>
<th>Convergence Objective</th>
<th>2000-02 data</th>
<th>2003-05 data</th>
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<tbody>
<tr>
<td>Countries (No.)</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Regions (No.)</td>
<td>84</td>
<td>67</td>
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<tr>
<td>Population (mill.)</td>
<td>154 (31% of EU)</td>
<td>121 (25% of EU)</td>
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</tbody>
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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?