

« Rethinking EU finances in times of crisis » Turin Workshop – Villa Abbeg - 7-8 July 2011

Concluding remarks

by Yves Bertoncini, Secretary general of *Notre Europe*

I'm particularly pleased to conclude this European seminar, which is probably the first organized at such a scale since the Commission published its proposal for a new EU « Multi-annual Financial Framework » one week ago. I found that all the presentations and discussions we had were very interesting and helpful to define our analysis and positions in an essential negotiation, which will probably last until the end of 2012.

I would first like to thank all of you, and especially our partners from the « Centro Studi sul Federalismo », the « Istituto Affari Internazionali », the « European Policy Center » and, last but not least, the « Compagnia di San Paolo », for its priceless moral, intellectual and material support. I also thank the speakers of our working dinner for their valuable contributions, namely Mercedes Bresso, president of the Committee of the Regions, Gianni Pitella, 1st Vice-President of the European Parliament and Vasco Cal, who is in charge of the EU budget in the « Bureau of the European Political Advisers » (BEPA) of the European Commission.

The objective of this final speech is not and cannot be to establish a full synthesis of what has been said during our seminar and dinner. It is rather to focus on some « concluding remarks », in direct echo of our debates, so as to highlight the main issues we have identified. I will do it on a personal basis and will focus on five major points.

1 – The Commission's proposal is a good basis for the negotiations; it could probably be a rather good outcome

This proposal establishes quite a good balance between two necessities: one linked to the austerity concerns the EU and its Member states are facing; another linked to the need to introduce innovations so as to adapt the EU budget to the challenges of the post 2013 period.

As it has been said, many expenditure categories will progress quite substantially, for example in the fields of research, home and judicial affairs or external actions. This will be made possible by the freeze of the two major sections of the EU budget, agriculture and cohesion policy, which will nevertheless and logically remain the two main ones, given their European dimension and impacts.

The combination of austerity and innovation is also present on the « revenue » side. The Commission proposes to create a genuine new “own resource”, for example by taxing financial transactions, which would seem quite logical given the massive public aid granted to the financial system after the crisis it provoked. The creation of such a new resource could reduce by more than a half the level of the national contributions coming directly from Member states' budgets, something which would be welcomed given the constraints these budgets are confronted with.

The proposal made by the Commission will naturally be criticized more or less loudly in the weeks and months to come. But what we have seen during this seminar is that no one can really say this proposal is not a serious and balanced one. On the contrary, everyone could more easily dream of an “ideal EU budget”, which would be different from the one we have today and from the one proposed by the Commission. However, in the context of crisis we all know, the EU could not afford to open another front by endlessly arguing about its finances: it is also the merit of the Commission to have kept this in mind and to have opened the perspectives for a good negotiation with its proposal.

2 – What is at stake during the negotiations on the EU budget is first and foremost an issue of narrative and, beyond this, the legitimacy of the European expenditures

On various occasions during our discussions, the legitimacy of the EU expenditures has been at stake. It reminds us that spending at the national level is quite natural (98% of public spending is concentrated there), but that doing it at the EU level must be clearly justified, not only on a sector-based perspective, but also on a more global one.

What is this European negotiation all about, for Member states as well as for the EU citizens? There were some doubts on the potential of the « EU 2020 strategy » to stand for the « transversal narrative » able to give a clear legitimacy to the EU budget and its evolution. As an example, education appears as a « true priority » in this perspective, but « cohesion » seems to be a second ranking priority: can we efficiently tell such a story at the national level, where the European dimension of education is far from obvious, whereas « cohesion » is considered as a true challenge for the EU, especially in terms of crisis?

The title of our seminar was: « Rethinking EU finances in times of crisis ». It tells a different story, presenting the new EU budget as a tool to face the different crisis we are facing: the economic and financial one, of course, but also the energetic and environmental one, the external ones (Middle East, Arab spring etc.) and, I would add, the food crisis, even if it might be considered as a « very French » vision... In a nutshell, I would suggest that « A budget to overcome the crisis » could be a good slogan to introduce the debates to come.

3 – It's essential to keep in mind the subsidiarity principle, even more when dealing with « subsidies »

This means that EU budgetary debates must fully integrate the division of tasks between European, national and regional authorities. This also means that the EU budget cannot be considered as a tool designed to answer all the challenges we are facing as national and European citizens.

The size of the EU budget is and will remain very limited, in absolute terms and when compared with the national budgets. As regards the EU, one should not forget that its legal instruments can lead to much more decisive interventions: our session on the defense sector reminded it to us very clearly. The deepening of the « single market », thanks to the combination of directives and regulations, is another particularly striking example – it is on the negotiations table too and, as such, has been mentioned several times in our discussions. The « Delors packages » adopted in the 1980s and 1990s showed that the EU budget could be combined efficiently with such legal interventions and could deliver very positive outputs – even if the EU budget cannot do everything on its own.

Having said this, I noticed that we were tempted to elaborate on the « added value » of the EU budget and on its capacities to produce « public goods » at the European level. But I also noticed that it was not that easy to reach a consensus on the meaning of these two classical notions, and even to have a common understanding of their content.

I then cannot help telling you about a set of publications recently launched by Notre Europe, including a « Policy Brief » by Eulalia Rubio analyzing the concept of “added value”, its four meanings, and the difficulty to use it efficiently during the European budgetary debates. I would also like to mention the « Policy Paper » on defense Fabio Liberti presented to us – other sector-based « Policy papers » will follow – but also another « Policy Brief » by Amélie Barbier-Gauchard, stressing the necessity to adopt an « aggregated vision » of European public expenditures, including national and EU ones. This vision indeed guarantees a clearer apprehension of the hierarchy of such expenditures per sector, helps to better integrate the contribution of the national budgets, particularly decisive for the implementation of the « EU 2020 strategy » and, finally, paves the way for the discussion of a better division of financial tasks between the national and EU levels.

4 – Improving the « leverage effect » of the EU financial interventions has been pointed out as a priority and appeared as a very promising, albeit complex, perspective

Our first two sessions led us to enlarge the debate on the EU « Multi-annual Financial Framework », so as to deal with the use of « alternative tools » (i.e. non direct expenditures), able to increase the « leverage effect » of the small EU budget.

A wide variety of such tools was mentioned, with the common objective of promoting investments at the European level: loans and guarantees from the EU, in addition or to replace its classical grants; « European Union bonds », and especially « EU project bonds », to finance infrastructure; activities of the « European Investment Bank », already very committed in these fields; « Connecting Europe Facility », whose creation is proposed by the Commission etc.

This new « Facility » appeared like a good symbol of the will to promote such alternative tools, and hence to improve both the financial and political capacities of intervention of the EU : this would be particularly welcomed at the moment national and regional authorities are confronted with severe austerity challenges and the need to reduce their deficits and many of their expenditures.

However, it seems to me that some pedagogy will be needed to convince all the stake-holders of the interest and potential of these financial tools, and then to promote their use in the near future. At first sight, there could be a preference for grants, people are more familiar with and whose concrete dimension seems to be

clearer. All our discussions on these « alternative tools » were very useful, but also very technical – and here again, even specialists of the EU budgetary debates will be less at ease and could have more difficulties to apprehend correctly the validity of the proposals put on the table by the Commission, or put into the debate by think tanks or academic actors.

5 – The management of the EU expenditures is also a key issue, which should not be underestimated

Last but not least, I would like to identify another key issue of our discussions and of the negotiations to come, i.e. the management of the EU expenditures.

The economic dimension of this management has been mentioned in direct relation with my previous point: the use of alternative tools, combining public and private funding, will helpfully allow the EU to deliver more « market-driven expenditures » in a near future, particularly in the field of infrastructures.

The administrative dimension of the management of the EU expenditures has also been pointed out, and especially the heavy constraints when applying for a grant from the EU and when audited afterwards – with the direct responsibility of the European Parliament, and more specifically of the « Cocobu ». The imperfect implementation of the « additionality principle » was also underlined, as well as the evolution of the rates of co-financing by the EU or the high administrative costs that would result from a co-financing of the CAP.

Finally, the political dimension of the management of the EU budget was stressed, especially when dealing with the objective to impose more conditionality. It has been noted that asking national and regional authorities to fully respect EU priorities when using the structural funds would give more power to the Commission, and that such a shift should be accepted by national and local actors. Suspending or lowering the amount of structural funds for a country not implementing its « structural reforms » program would also give more power to the EU: it could also lead the EU to « punish » regional authorities benefiting from the structural funds even if they are not in charge of the main « structural reforms » - such innovation in the management of the EU funds then also contains a high political dimension...

This last remark will allow me to conclude very rapidly my presentation, simply by underlining that we are facing a very political debate, as our working dinner of yesterday evening already reminded us.

Designing a new budget for the EU is a technical task and requires the involvement of our think tanks, whose skills and expertise will undoubtedly be very helpful. But we must participate in the debate launched by the Commission's proposal keeping in mind its political dimension, and considering that the national decision-makers, the European parliament, the interest groups and public opinions will also play a key role.

It is by fully integrating the interests and the « rationales » of all these actors that the « think tanks » will be able to play their own role, showing once again their added value by promoting a common vision on the main challenges and proposals at stake, based on this kind of European seminar I have the pleasure to conclude.

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