

CEPS TASK FORCE ON

ALIGNING THE EU BUDGET TO THE EUROPE 2020 COMPETITIVENESS AND GROWTH OBJECTIVES

Chairman: **Daniel Tarschys**, Professor Emeritus in Political Science and Public Administration, Stockholm University; Chairman of the Board of the Bank of Sweden Tercentenary Foundation

Rapporteur: **Jorge Núñez Ferrer**, Associate Research Fellow, CEPS

Introduction

The economic crisis has exposed the weaknesses of the European economies and emphasised the needs to boost competitiveness of the private sector by means of further economic integration and growth enhancing policies. Climate change has made the world aware that energy production and use needs a fundamental restructuring towards low carbon solutions. Competitiveness, employment and energy security are Europe's central challenges. Globally, increased need to support developing countries and the looming prospect of repeated food crisis are also calling for a larger and financially important role for the EU. In those areas the EU budget can make a fundamental contribution.

The adoption of the Europe 2020-strategy outlines integrated policy priorities in the current decade and the strategy constitutes the prime reference for the recreation of European jobs and welfare in a period where emerging economies are catching up and even overtaking the European economy in field formerly dominated by Europe, the USA and Japan.

The Commission estimates that if the Europe 2020 targets are achieved, the result could be an extra 4 per cent on EU GDP and 5.6 million new jobs by 2020. The EU budget should be designed as one of the key instruments to help deliver the Europe 2020 strategy for smart, sustainable and inclusive growth through its potential influence as coordination and leverage instruments which can deliver important economies of scale.

The policy debate

The decision to undertake a full, wide-ranging review of EU spending and resources was taken by the Heads of State meeting in a European Council summit in December 2005, to serve as the basis for discussions in the run-up to the proposals

for the post-2013 financial framework. To this end, the Commission launched a public consultation on the budget review in June 2008, which finally saw the light of day on October 19th 2010 with the publication of the Commission's 'Communication on the budget review'.

It departs from the conventional way of addressing budget priorities, which has tended to focus on changes within the policies. This review concentrates on performance and delivery mechanisms. It announced that the budget needs to reflect the Europe 2020 Strategy and gives some indications on how this affects present policies. It consciously leaves open the discussion on policies and announces that integrated and demanding strategic guidelines will take care of this.

The Commission clearly considers that the future budget can only make sensible interventions once there are appropriate instruments in place to ensure efficient targeting of strategic objectives. The core of the review is on *enhanced flexibility, better targeting, results-oriented monitoring and enhanced use of non-budgetary financial instruments* (i.e. loans). Mechanisms that ensure targets and objectives have to be the core objective, rather than just the financial absorption of funds, which heretofore has been the principal criterion of success. It also calls for a much wider and effective use of non-grant-based instruments to achieve the Union's objectives on R&D and infrastructure, because the financial requirements in the areas of energy and transport go far beyond the public financial capacity of the EU and member states. In presenting the budget review, the Commission breaks with some important taboos, such as the possibility to raise funding through bonds for large projects, which at present is legally questionable given the prohibition on the EU budget running a deficit.

The review also focuses on previously underdeveloped areas of the budget, such as external action, and Justice and Home Affairs comes in for detailed scrutiny.

The EU budget review thus leaves open the decisions on policies to the specific proposals planned for June 2011. Nevertheless, the little wording of the review on policies indicates a rather defensive position, uncritically reiterating the importance of each area of intervention. Subsequent communications on the general strategic vision for the CAP¹ and regional policy² 2020, give a clear impression that gradual change within an existing framework is preferred. This indicates that there is a resistance within the European Commission to envisage very radical changes, preferring adaptations to the present framework. This is to short-sighted and ignores the seriousness of the challenges ahead, not only arising from ambitious new objectives, but from the depth of the crises and the growing competitive pressures on Europe's businesses.

This Task Force is targeted at providing input to the budget debates, mainly to the Council, Commission and the European Parliament. Given the timeframe, *a short policy brief will exceptionally be launched after the first meeting with key principles agreed by the members of the Task Force* aimed at the European Commission. Members of the Task Force will have a preliminary draft sent to them a week before the first meeting.

The EU budget requires careful targeting to ensure that efforts are concentrated where they can be most effective in achieving EU goals. Special attention must be paid to actions that can have an early impact on competitiveness and growth. Thus, the objective of the Task Force is to

examine and describe the potential role of the EU budget to foster competitiveness and growth in policy areas related to the flagships of the Europe 2020 strategy.

This requires an analysis of the European value added of existing policies and the appropriateness of the EU budget to support those policies. For example, the role of the agricultural policy in the EU budget will need to be addressed. The size of the agricultural expenditure having to be borne by the EU budget is excessive, both in terms of share of the budget (40%) and also due to the specific nature of the EU budget. In fact, the EU budget should not be burdened by a whole policy given its size and nature. The CAP should work based on the solidarity principle, thus only be used to finance the countries which do not have the fiscal capacity to do so. For the EU to reach its Europe 2020 objectives there is a need to re-dimension the Common Agricultural Policy (CAP) and consider different national to EU responsibilities. Presently, the CAP suffers from a large misallocation of resources. Correcting for misallocations and a better targeting of the policy can realistically lead to substantial cuts in costs with relatively low impacts on the sector while still improving its environmental sustainability.³

Moreover, the growth potential associated with linking the cohesion funds with the Europe 2020 strategy should be examined.

It is important to note that the EU budget would be reformed radically if the rules which should guide its actions were to be applied efficiently. The rules and philosophy are:

¹ COM(2010) 672 final

² COM(2011) 17 final

³ Núñez Ferrer J. and Kaditi E. (2007), "The EU added value of agricultural expenditure – from market to multifunctionality – gathering criticism and success stories of the CAP", Study for the Policy Department on Budgetary Affairs, European Parliament, 5/12/2007

- European value added
- Proportionality
- Additionality
- Subsidiarity
- Solidarity

Main areas of focus

Smart Growth

- The role of the EU budget in promoting Innovation Union offering special attention to the European Research Area and improved framework conditions for businesses to innovate, including the protection of IPR and an EU patent.
- The role of the EU budget in promoting centres of excellence in the areas of research and education with special focus on natural science, health science and other technical science.
- The role of the EU budget in promoting a digital single market offering special attention to improved conditions for cross border e-commerce and reinforcing key strategic fields on technologies such as grids, ICT and e-health.
- The role of the EU budget in reinforcing Europe's competitiveness in the services and industrial sectors.

Sustainable Growth

- The impact of use of funds for transeuropean networks in the fields of transport and energy and the completion of a single market for energy.
- The role of the budget as a driver for more research, development and demonstration of new energy generation and energy-saving solutions.
- The impact of enhanced support in the transition of the transport and manufacturing sectors to greater energy and resource efficiency.
- The role of the EU budget in the areas of cohesion and rural development, including support to agriculture.

Inclusive Growth

- The role of the EU budget in the creation for the modernization of the labour markets, the promotion of labour mobility and better matching of labour supply with market demands.
- The role of the budget in enhancing young people's skills and employability, especially at a time where the labour force will start shrinking due to the demographic development.
- The budget as an instrument to support youngsters' options for training and studying or taking up a first-job in another Member State, exchange programs for vocational training, apprenticeships and internships should be promoted in order to sustain inclusive labour markets.

Objective of the Task Force

The objective of the Task Force is to **influence the policy debate** by:

- *Creating a group of political and corporate stakeholders, who are willing to campaign on "making the EU budget competitiveness and growth oriented";*
- *Undertaking outreach activities in Brussels and in particular the European Institutions to firmly establish an understanding of the conditions required for the EU budget to support the Europe 2020 strategy;*
- *Thinking through the analytical and political challenges related to making the budget 'competitiveness and growth oriented taking into account Europe's social and environmental sustainability';*
- *Giving guidance on a direction in the longer term and produce a list of realistic and specific reforms aimed at the next financial perspectives, outlining what a growth oriented EU budget would look like.*

The CEPS Task Force: organisation and governance in detail

Meetings:

- Three task force meetings arranged over May to November 2011.
- Briefings on the different issues discussed in the Task Force meetings will then be presented in a larger meeting in the European Parliament. Key MEPs from the main parties, member state representatives and European Commission officials will be asked to present their views on the issue and the reports by the Task Force. A special short policy brief will be produced and published in May on this issue.
- Public CEPS conference (half day) to present findings to a wider public in the autumn.

Key staff

The task force will be chaired by **Daniel Tarschys**, Professor Emeritus in Political Science and Public Administration, Stockholm University.

Organisation and communication with members will be under the supervision of **Staffan Jerneck**, Director & Director of Corporate Relations, CEPS

The lead rapporteur of the Task Force will be **Jorge Núñez Ferrer**, Associate Research Fellow of CEPS specialised in EU budgetary issues.

Why a CEPS Task Force and how does it work?

The CEPS Task Force will constitute a unique forum of representatives from the European Commission, Members of the European Parliament, officials from member states, business and industry, NGOs and other stakeholders to discuss highly topical issues in a multi-stakeholder setting. The objective of a task force is i) to create a process where issues can be analysed in open but structured discussion and ii) to publish an authoritative analysis leading to policy recommendations. CEPS will produce an (operational) synthesis report for each meeting. At the end of the Task Force, CEPS will publish and circulate among EU and member state policy circles policy recommendations together with a background report, which will be also formally published in the CEPS Task Force Report publication Series. The Background Report will be based on discussion in the meetings supplemented by research carried out by the rapporteurs.

Potential members of the Task Force are MEPs, Representatives from the European Commission, member states, other EU institutions, NGOs, academia and key stakeholders from business and industry.

CEPS has a track record of having run over 50 task forces.

See: <http://www.ceps.eu/panel4>

Indicative schedule of meetings and topics:

LAUNCH:

**LINKING THE EU BUDGET TO THE EUROPE 2020 STRATEGY
KEY MESSAGES OF THE TASK FORCE
17 May 2011**

MEETING 2:

**R&D AND INDUSTRIAL COMPETITIVENESS
COMPETITIVENESS AND EMPLOYMENT
THE BUDGET AND ENERGY STRATEGY FOR EUROPE
June 2011**

MEETING 3:

**COHESION AND COMPETITIVENESS
RESOURCE EFFICIENCY
AGRICULTURE
September 2011**

MEETING 4:

**EXTERNAL ACTION AND THE EU BUDGET
DRAFT REPORT PRESENTATION AND DISCUSSION
October 2011**

Preliminary meeting of the Task Force

ALIGNING THE EU BUDGET TO THE EUROPE 2020 COMPETITIVENESS AND GROWTH OBJECTIVES

LINKING THE EU BUDGET TO THE EUROPE 2020 STRATEGY KEY MESSAGES OF THE TASK FORCE

17 May 2011

CEPS

Preliminary Programme

10:00 Registration and coffee

10:30 Objective and Process of the CEPS Task Force

Staffan Jerneck, Director & Director of Corporate Relations, CEPS

10:45 Welcome Remarks and Comments by the Chairman

Daniel Tarschys, Professor Emeritus in Political Science and Public Administration, Stockholm University; Chairman of the Board of the Bank of Sweden Tercentenary Foundation

11:00 The Europe 2020 Strategy and the EU budget, where do we stand?

Speakers to be confirmed

13:00 lunch

14:00 Preparation of a communication from the Task Force to the European Commission on key priorities for the EU budget

16:00 Future activities of the Task Force

16:30 End

CONDITIONS FOR PARTICIPATION

The CEPS Task Force is principally designed for CEPS Corporate Members but participation is open to non-members as well, at a higher fee.

The fee covers participation in all workshops, documentation, lunches and three copies of all reports produced.

Fee Structure

Participation fee for:

CEPS Corporate Members: EUR 1,000 + VAT

Non-members: EUR 7,000 + VAT

To register, please use the Registration Form in the Appendix of this document.

About CEPS

The Centre for European Policy Studies, based in Brussels, was launched as an independent research institute in 1983 to encourage the study and discussion of public affairs in Europe. It aims:

- to provide decision-makers, inside and outside government, with authoritative and independent analysis of European affairs;
- to contribute to the public debate about European institutions and policies through sound research and judgement; and,
- to create a network of leaders and thoughtful individuals who are committed to working together to enhance the development of European integration and co-operation.

CEPS is funded by corporations, public bodies, membership fee dues and income from activities.

If you have any questions regarding the Task Force, please contact:

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REGISTRATION FORM

CEPS Task Force ALIGNING THE EU BUDGET TO THE EUROPE 2020 COMPETITIVENESS AND GROWTH OBJECTIVES

Meeting 17 May 2011, 10:00 to 16:30

CEPS, Place du Congrès 1, B-1000 Brussels

A participation fee for the task force including all task force meetings of €1,000 applies for CEPS Corporate Members, while €7,000 applies for non-members.

Name	
Firstname	
Position	
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Please tick correct box:

<input type="checkbox"/>	My company is a corporate member of CEPS and pays €1,000 (+21% VAT).
<input type="checkbox"/>	My company is not a corporate member of CEPS and pays €7,000 (+21% VAT).
<input type="checkbox"/>	My company is interested in becoming a member of CEPS. Please send additional information.

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