SPEAKING NOTES

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THE MID-TERM REVIEW OF THE 2007-2013 FINANCIAL FRAMEWORK AND ITS RELEVANCE FOR SMES

WORKING BREAKFAST WITH THE EPP'S SME UNION AND SME GLOBAL

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Ladies and Gentlemen,

BUSINESSEUROPE issued a position on the EU budget review in April in which we outline what should be the main policy priorities for the EU and how these priorities should be reflected in the EU budget.

Today, I would like to focus on the lessons that the current financial framework teaches us for forthcoming financial perspectives, by commenting on some concepts and trends related to the mid-term review 2007-2013. A good mid-term review for this financial period should help us to identify those policies that are lacking funds to deliver, as well as the weaknesses of the system to use the funds properly

The 2007-2013 financial framework

The EU budget must do better than it does today to help companies and citizens adapt to globalisation, develop new technological solutions and create more cohesion in an enlarged EU.

We acknowledge that some progress has been achieved in the current programming period 2007 to 2013. Spending under the competitiveness heading (1.a) over the period will see an average growth rate of 7.5% a year (in real terms), and around 60% of cohesion funds are set to be devoted to Lisbon-type objectives. New schemes using structural funds such as JEREMIE to improve SMEs' access to finance look promising.

But this is insufficient. Programmes for research and innovation as well as education and training will remain constrained, and funding for the Common Agriculture Policy will continue to exceed the combined resources devoted to competitiveness.

Effective programming

The mid-term review is an excellent opportunity to ensure more delivery through better management. Let us recall that 76% of the EU budget is managed in liaison between the European Commission and the member states in a governance framework where regional and local actors have a greater say.

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Implementation of the partnership principle is much needed. The three angles of the triangle must work together: those responsible for setting and implementing objectives must have close contact with the authorities responsible for the use of funds and, obviously, those implementing the projects on the ground. In our experience, involving business representatives in the programming process has helped to improve the focus as well as transparency in the allocation of funds.

Enough funds to deliver

The *great variety of objectives dilutes the effectiveness of the EU budget* as available funds are scarce. If we want to deliver, then the list of objectives should be shortened.

As a way to secure additional funds, Public-Private Partnerships are being encouraged for the period 2007-2013 to increase the leverage effect of EU spending by attracting more private investment. By engaging with businesses, it should be easier to identify innovative solutions. However, *there is still much to do to foster SMEs' access to public procurement* in order to establish a level playing field with big companies. Smaller contracts, centralised tender information, lighter financial guarantees and simpler information requirements are ways to achieve this.

An objective evaluation that does not imply more administrative burdens for SMEs

Mid-term reviews have to be effective and useful, based on a proper evaluation. However, *an effective evaluation should also apply the "think small first" principle*, as evaluations also imply administrative burdens that may affect SMEs in particular.

The following criteria should be carefully taken into account:
1. The monitoring process can better function if it is based on clear and fixed performance criteria defined in the preparatory phase of programmes, with all relevant stakeholders. At this point it is vital that business representatives are involved so they can explain their experience and shortcomings in the process.
2. The evaluation should be carried out by independent bodies and lead if necessary to a re-allocation of resources from non-performing to better performing programmes
3. The administrative burden on the beneficiaries of EU funds increases due to subsequent regional evaluations, national evaluations and European evaluations. It is therefore essential to ensure a good coordination between all these evaluators.
4. Evaluation should be proportional to the quantitative importance and risk of the project. Currently, the number of pages to fill out is the same for a project involving 20,000 euros as it is for one involving 20 million euros.

More flexibility

While member states should be entitled to some flexibility to reallocate resources to where they will pay off, the Commission's role in the relocation of funds should be clearly defined. What is clear is that the Commission should ensure that member states' actions are in line with the Lisbon targets.

Rigidity of the current system is the main problem as it does not leave enough flexibility to use, for example, unspent CAP funds in other policies where funds are lacking, such as CIP or FP7. This rigidity also places obstacles in the way of forward-looking investments. The EU budget should adjust to changing circumstances if we want to make the best of it.

To complete the picture, I would like to emphasise that the absorption of funds is not always effective. Evidence clearly shows that some countries have been better than others at spending EU funds wisely. In our view, this just points out that in some countries some structural reforms are lacking for example in the labour market or in the regulatory framework at regional and national level.

The EU budget review

I would like to finish by outlining our views about the ongoing EU budget review. It offers a golden opportunity to debate the long-term priorities of the EU and to modernise the budget to reflect these political priorities. *BUSINESSEUROPE would certainly like the EU budget to support the EU's ambition to become a competitive, knowledge-based economy*. Thus, the EU budget should focus on research, market innovation, infrastructures, education and training, mobility and adaptability. An effective orientation of cohesion policy towards these objectives will be the means to deliver sustainable convergence in the regions.

The changing agricultural landscape, with structurally high commodity prices and new market opportunities, is creating the conditions for a thorough reform of the CAP, including a reduction of market and direct income support instruments and a re-assignment of funding priorities towards Lisbon-type objectives. This should allow a significant shift in EU funding from the CAP towards competitiveness programmes.

Thank you