



## SPEECH

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Brussels, 5 November 2008

### **CONFERENCE “REFORMING THE BUDGET, CHANGING EUROPE” ON 12 NOVEMBER 2008**

#### **“SHAPING THE EU BUDGET FOR THE FUTURE” SESSION 1: COMPETITIVENESS**

#### **SPEAKING NOTES**

#### **PHILIPPE DE BUCK, DIRECTOR GENERAL OF BUSINESSEUROPE**

We are pleased about the consultation process and strongly support an open and transparent budget review. The importance of this process is reflected in the high number of stakeholders that replied to the Commission consultation. It is no surprise that so many voices do not directly sing in tune.

We hope that this conference allows to find a consensus on two things. Firstly, how can the EU budget best respond to the key challenges of our time? Secondly, how can leverage effects be enhanced?

Of the 2008 EU budget of 120 billion euro, over 41% is devoted to supporting agriculture. We believe that the budget should become much more supportive to growth and competitiveness if it wants to be relevant in responding to the needs of companies and citizens:

#### **1. An EU response to key challenges**

Europe needs to respond to an extraordinary magnitude of imminent challenges. The financial crisis will affect economic growth in the short-to medium term. Compared to last spring, our EU growth forecast has been reduced by over 1.5 percentage points for next year to only 0.4% (0.2% for the euro area).

In this context, the EU must be able to mobilise its financial resources, in particular to support the more vulnerable economies which do not benefit from the shield of the euro. The Commission proposal to frontload EU cohesion funds is welcome as it could provide a buffer, in particular for low income regions and those facing more acute structural adjustments.

But once the peak of this turmoil is passed we need to reflect on more fundamental changes to the structure of the EU budget. These changes should reflect the EU's ambition to reinforce and promote a competitive model of sustainable development.

This is the aim of the Lisbon Strategy. Since its starting point, eight years ago, the strategy has developed into a tightly structured instrument. It has pushed for reforms in labour and product markets across the EU. But the main goal set out for 2010 in terms of growth, employment levels and R&D efforts will not be reached.

However, the rise of emerging economies, demographic change, and the transition towards a low-carbon economy represent even greater challenges. As a response, the European economy needs a technological push, rising productivity levels and a balanced growth path. The EU budget can be supportive if it is restructured to provide a real drive for research and innovation, education and adaptability, infrastructure and networks.

BUSINESSEUROPE asks for a redistribution of EU funding over the next financial framework. A significant increase in the means for competitiveness and innovation can be achieved by reducing funds allocated to the common agricultural policy. The overall EU budget should stay within 1% of EU GDP.

This additional funding should be used where the highest cross-border spillovers can be achieved, such as:

**(1) R&D and innovation**

- double EU funds for R&D and innovation for the next financial framework
- eighth framework programme should build a critical mass of activity in key technology areas (including energy-efficient technologies)
- guarantee a financial basis for the European Institute of Technology

**(2) Adaptability and skills**

- reorient European social funds towards support for workers' adaptability
- enhance management skills and entrepreneurship
- strengthen human capital to reinforce capacity-building of institutions

**(3) Investments in trans-European infrastructure and networks**

- connect poor and isolated regions through trans-European networks
- electricity and gas grid extensions to complete the internal energy market

Cohesion policy is the second largest spending item in the EU budget. For the current financial framework, 75% of cohesion funds are earmarked for regional competitiveness and employment. This is a very positive development which has helped to develop more strategic regional thinking. To further enhance the competitiveness earmarking, the list of objectives should be shortened and linked to the priorities identified for each member state in the context of the Lisbon strategy. The aim for the next financial perspective should be to further increase competitiveness earmarking.

## **2. Make the best out of limited resources: enhance the leverage effect**

There needs to be a better leverage of the EU budget. It is unreasonable to expect that there will be a large increase of funding. The budget is fixed and what matters now is to improve its effectiveness.

- 1- All possible leverages should be used to increase deliverables within the budget constraints. This means using financial engineering in collaboration with the EIB and other financial institution, promote co-financing and effective public-private partnership.
- 2- The management of the budget needs to be effective at all levels. This implies to boost coordination between different funds with similar objectives. It also implies to use objective performance criteria and to redeploy resources when these criteria are not met. This also calls for a more operational mid-term review.
- 3- Finally, the access to EU funds needs to be facilitated. Payments should be made available faster and the number of stages reduced between the moment a beneficiary is designated and the effective receipt of funds.

There is no one-size fits all solution: while Silicon Valley has become one of the key drivers of economic growth in the United States, Europe might do far better with a number of well-performing innovation clusters spread across different Member States. However, the infrastructure to link these clusters and the funding for the clusters needs to be in place. This is where the EU can add real value and where leverages are necessary to reach the critical mass.