



## EU BUDGET REVIEW

### KEY MESSAGES

- 1** The EU budget is a powerful tool to take forward competitiveness-enhancing reforms in Europe.
- 2** With public finances in tatters and severe economic challenges expected to persist over the next decade, the EU budget will have to assign clear priorities; improve its leverage effect and develop a more effective system of governance.
- 3** It is of paramount importance to reform the EU budget to better aligning it with Europe's priorities.

### BACKGROUND

There is at present no justification to increase the EU budget above 1% of GNI. A thorough reform of the Common Agriculture Policy (CAP) should permit a significant shift in the structure of EU spending towards competitiveness areas where the EU added value is clearly identified – e.g. research and innovation, skills and adaptability, mobility and transnational infrastructures. This would result in substantial welfare gains.

A further doubling of EU spending on R&D and innovation is needed in the next programming period. Yet, the framework for research and innovation also needs to be considerably revised. The revision of the Financial Regulation currently underway must implement a risk-tolerant and trust-based approach in EU research funding. This implies finding urgently a new system of control mechanisms which does not impose unnecessary burdens on applicants and softens the provisions on personal financial liability for staff officers. We welcome the 29 April 2010 Commission communication putting forward simplification procedures for taking part in EU-funded research projects.

The development of financial instruments in coordination with the European Investment Bank Group is also crucial to guarantee a revolving effect of the EU's limited resources, moving away from a one-off grant culture. Effective public-private partnerships can also lead to a better allocation and management of funds, encourage risk-sharing and increase value for money.

Finally, an effective system of EU expenditure auditing must be in place at both European and national level and red tape should be effectively cut back. Objective and independent evaluations to scrutinise programmes need to be put in place with more flexibility to allow a reallocation of funds to more productive programmes. In addition, more transparency during the negotiation process is needed and relevant stakeholders should be more closely involved.

On the revenue side, the financing system of the EU budget should ensure simplicity, stability and fairness. Yet, only with significant reforms to the structure and effectiveness of EU spending will a constructive debate on the EU's own resource system be possible.

## **WHAT DOES BUSINESSEUROPE AIM FOR?**

- Reallocate funds towards competitiveness
- Increase leverage of EU funds
- Improve governance of the budget