

**Opinion of the Committee of the Regions on 'The EU budget review'**

(2011/C 166/03)

## THE COMMITTEE OF THE REGIONS

- points out that the EU must have a credible budget beyond the 1% of EU GNI so that it can achieve the major European objectives in accordance with specific local needs and exercise its new powers resulting from the Lisbon Treaty;
- recognises the importance of the Europe 2020 strategy; stresses, however, that the place which will be given to it should not lead to a downgrading of other objectives as laid down by the Treaties, particularly economic, social and territorial cohesion;
- is pleased that its proposal to extend the period of the multi-year financial framework to ten years with a proper mid-term review ('5 + 5') has been taken up by the European Commission. The mid-term review must limit the amount of funding which can be allocated to different priorities to ensure that it remains a genuine ten year programme and not two five year programmes;
- considers that budgetary flexibility should be guaranteed in order to be able to re-orient strategy mid-term, thanks to a 'review reserve', and to cope with unforeseen and extraordinary events, thanks to a 'flexibility and European interest reserve', while seeking greater efficiency in European expenditure;
- strongly disagrees with the proposal that a Member State's non-compliance with the stability and growth pact should result in the discontinuation of funding under cohesion policy and the common agricultural or fisheries policies, because regional authorities cannot be held responsible for the inability of national institutions to meet macro-economic criteria or implement EU rules correctly;
- is pleased that the Commission recognises the need to conduct cohesion policy throughout the Union and endorses the proposal for a common strategic framework covering the Structural Funds and the other territorial development funds; considers that the budget headings could be structured in such a way as to identify, under a single title, all the funds coming under the common strategic framework;
- considers that the current structure of the budget should be abandoned and recommends that the new structure should highlight the division of tasks in a multi-level approach to governance and that there are no grounds for bringing the number of headings down to three main ones;
- considers it vital to have the option of issuing EU project bonds and is of the conviction that in the long term, the increase of existing own resources and/or the introduction of new own resources should aim at replacing national contributions to the EU budget.

<b>Rapporteurs</b>	Ms Mercedes BRESSO (IT/PES), Member of the Piedmont Regional Council Mr Ramón Luis VALCARCEL SISO (ES/EPP), President of the Region of Murcia
<b>Reference document</b>	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments – <i>The EU budget review</i> COM(2010) 700 final

## I. POLITICAL RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS,

### Introduction

1. welcomes the Commission Communication on the EU budget review, as it presents a holistic vision of the reform that covers both the expenditure and the revenue side and seeks to produce a real change;

2. intends to continue and deepen the positions adopted and the proposals made in its previous opinion adopted in April 2008 <sup>(1)</sup>; and therefore points out:

- that the EU must have a credible budget beyond the 1 % of EU GNI so that it can achieve the major European objectives in accordance with specific local needs and exercise its new powers resulting from the Lisbon Treaty;
- that the EU budget must be capable of responding to new challenges while pursuing its objectives of integration and cohesion and demonstrating genuine solidarity in its actions;
- that Member States' limited public financial resources make it necessary both to reform the system of resources of the Community budget and to establish priorities and focus on areas where Community intervention, whether alone or as a supplement to other levels of governance, can provide the best added value;
- that exploiting the full potential of multi-level governance must be placed at the heart of the EU's budget reform strategy and that the design, planning, co-funding and implementation of European policies may gain significantly from local and regional authorities' input;

### Principles for the EU budget

3. considers that the years of experience in implementing the European budget, particularly cohesion policy, have shown that the regions, or local governments, those which are closest to the citizen, best identify the needs of European territories and intervene more directly, which is why at all times the European Union stresses the importance of exercising multi-level governance to ensure that EU budget is spent more effectively, seeing it as an effective tool to be applied to all European policies, in line with the subsidiarity principle;

4. regrets that, as regards all public-sector spending in the EU, despite a growing financial contribution from and more active involvement of the regional and local authorities, this multi-level governance is not clearly visible to the final beneficiaries; now calls on the Commission to inform all the parties concerned about the current state of public finances in the EU and to adopt a budget structure that is more consistent with multi-level governance;

5. agrees with the Commission that '*the weight of spending should mirror the EU's core policy priorities*'. This implies that a very high priority must be given to the notion of economic, social and territorial cohesion, but also, for example, to making sure the budget is compatible with the horizontal social clause;

6. suggests that it will be easier to launch the next programmes quickly if there is a certain degree of continuity in the basic rules governing their operations and if all legislative and regulatory measures are brought forward as much as possible with the aim of simplification;

#### a) Added value

7. considers that it is necessary and useful that it contributes to the debate on the EU inter-institutional annual budgetary procedures and execution, in order to be consistent with the principle of good governance based on the deliberation at various levels; this contribution could represent the views of regional and local authorities on those EU budgetary lines for which they are the main beneficiaries;

<sup>(1)</sup> Cdr 16/2008 fin.

8. considers that the concept of added value refers to the leverage or multiplier effect generated by the implementation of the European budget throughout the European Union, and therefore feels that it should not be understood in purely accounting terms, with only public finances taken into consideration. The EU budget's added value for private businesses and consumers must also be acknowledged, together with the added value of Union expenditure in terms of governance. Considers, furthermore, that the added value of the Union's budget must be assessed with a new model of growth measured using additional indicators to GDP that would better reflect the development of each region;

9. notes the Commission's undertaking to produce an updated analysis of the cost of 'non-Europe', but calls on this to be done quickly enough for it to have an impact on negotiations on the new financial framework;

10. points out that the leverage effect of the EU budget is crucial for mobilising resources that support strategic EU objectives provided for by the Treaty, such as cohesion policy, as well as European strategies such as the Europe 2020 strategy, that it has a decisive impact on building institutional capacity and that it is beneficial for all private actors and public authorities, both the most advanced and the least advanced, within the Single Market;

11. considers that the visibility of EU interventions, those involving investments in heavy infrastructure or intangibles (research, social inclusion, training, etc.) must be sought at all levels, from the authority that takes the political decision, to the programme manager, and right down to the citizen and final beneficiary. It may be achieved by various procedures that are flexible and adapted to actual conditions, so as to avoid excessive administrative burdens, and should be based on the numerous examples of good practice that exist, in line with each region's potential;

12. agrees with the Commission that 'the EU ... can offer economies of scale and ... can plug gaps left by the dynamics of national policy-making, ... addressing cross-border challenges in areas like infrastructure, mobility, territorial cohesion or EU research cooperation';

13. stresses the need to develop a dynamic communication strategy that is permanently relayed to the territories about the aims and achievements of the EU budget and points out, with this in mind, that it is available for setting up a decentralised action plan;

#### **b) Solidarity**

14. affirms that the solidarity between European Member States, regional and local authorities and citizens is not only a political objective going hand-in-hand with European values but is also a factor of economic efficiency throughout the EU, and

so the exercise of solidarity must be seen not so much as an expense but more as an investment, allowing the EU to face the challenges of today and tomorrow;

#### ***A budget for the future: expenditure***

15. fully agrees with the importance of the Europe 2020 strategy for smart, sustainable and inclusive growth, and, like the Commission, stresses that its success requires 'a partnership between the EU and the national and regional authorities' as well as with local authorities; stresses, however, that the place given to the Europe 2020 strategy should not lead to a downgrading of other objectives as laid down by the Treaties, particularly economic, social and territorial cohesion;

16. awaits the proposal concerning the multi-annual financial framework before commenting in detail on expenditure, but would already make the following remarks on matters of in principle;

#### ***Research, innovation and education***

17. stresses that the current Community research budget, which amounts to only 4% of that of publicly funded research in Europe, is inadequate. Considers it vital therefore to better integrate national and regional programmes and the European research framework programme in order to achieve economies of scale and critical mass;

18. disagrees with the European Commission statement that Europe would be 'faced with an unprecedented range of societal challenges, which can only be tackled with major scientific and technological breakthroughs', since such reasoning underestimates the ability of political organisations, institutions and citizens to reform our societies, without necessarily having recourse to scientific and technological solutions. Nevertheless, believes innovation contributes to tackling the most critical societal challenges we are facing. Concords therefore fully with the European Council of 4 February 2011 that Europe's expertise and resources must be mobilized in a coherent manner and synergies between the EU and the Member States must be fostered in order to ensure that innovations with a societal benefit get to the market quicker. Stresses in this connection the opportunities opened up by the revision of public procurement directives with a view to encouraging more social and environmental innovation;

19. considers that support for innovation is crucial for the transformation of the European economy and believes that the Innovation Union flagship initiative must in particular encourage the Member States to support the modernisation of education and training systems at all levels, including in the workplace, since a region's level of progress depends above all on its human resources. Therefore welcomes that fact that the flagship initiative sets out a generally solid political approach,

and quite rightly defines the term 'innovation' broadly, focuses on the major challenges for our society and takes key technologies into consideration; also supports the Commission's proposals on developing the EU's research and innovation capacities and the implementation of smart regional specialisation strategies, including with the help of ERDF-funded technical assistance programmes; adds that these strategies should be developed in consultation with all stakeholders, particularly local and regional entrepreneurs, to prevent the imposition of prescriptive models that do not reflect the reality and potential at regional and local levels or that might generate an administrative and financial burden;

20. welcomes the fact that, in its communication, the Commission takes account of the contributions of the local and regional authorities and of civil society with regard to innovation, and acknowledges them as key stakeholders; considers this should be reflected in the EU Budget through a well-financed Framework Research Programme. In addition the EU Budget should be used to enable greater synergies and complementarity between European funding supporting research and innovation, to ensure efficacy of expenditure, including prioritising building research capacity in poorer parts of Europe. There is also a pressing need to address the accuracy and availability of data on regional participation in FP and other EU research and innovation funding programmes, to enable local and regional authorities to benchmark their performance at EU level, and to enable structural weaknesses in performance to be identified accurately;

21. considers that existing new technologies, which have had the benefit of R and D funding, and which are able to be utilised should be exploited to the full;

### ***Infrastructures for the future***

22. considers that removing cross-border bottlenecks on strategic transnational axes of the transport, communication and energy networks would be of significant added value to society and would be in the spirit of the EU's new approach to growth. It is necessary to develop fit-for-purpose, high-quality infrastructure and to remove critical bottlenecks for the sake both of the EU's economic competitiveness and of balanced and sustainable development;

23. emphasises that the funding of infrastructures for the future is a necessity for two reasons of equal importance: to increase mobility and internal cohesion within the EU and to increase European competitiveness vis-à-vis third countries as the Commission rightly points out;; recommends proceeding logically, starting with political decisions on infrastructure projects and then agreeing on the relevant instruments and financial packages;

24. reiterates its opposition to the establishment of a single fund which, relying mainly on resources allocated under the Cohesion Fund, would group together all the EU financial instruments used to fund transport infrastructure. Not only could the 'transfer' of funds result in a net loss of resources allocated to transport policy, but it could also call into question the integration of transport projects in regionalised development strategies;

### ***Energy and climate***

25. does not favour the option of setting up special large-scale funds dedicated to the implementation of investments in energy and climate; prefers prioritising and further incorporating these policy priorities into all relevant policy fields, where a management set-up involving all levels of governance would ensure the efficiency and visibility of European action, however, specific bonds arranged by the EIB may be used for transnational or cross-border projects on clean energy production and energy efficiency, as part of the goals for energy security and climate change mitigation;

### ***Common Agricultural Policy***

26. recognises the added value of one of the only common EU policies and welcomes the prospect of controlling CAP spending in order to focus more on the goal of social and territorial cohesion, including in relation to production, green growth and achieving greater synergy with other EU policies;

27. reiterates the importance of the CAP in preserving the fabric of rural communities across Europe, thus contributing to the wider goal of social and territorial cohesion; also notes the value it contributes to wider society in terms of providing high quality food, managing the EU landscape, and contributing towards efforts to combat and mitigate the impact of climate change; underlines that the CAP may bring a valuable contribution to the objectives of the Europe 2020 strategy;

28. considers that the CAP needs both the first and second pillars to be effective in order to face up to the challenges of balancing the tension between the need to produce competitive, high-quality food in Europe, society's demands on the environment, climate, water management and biodiversity, and the need to maintain vibrant rural areas; recognises the need for further reforms to the CAP, including the need for an adequately resourced budget to enable resources to be used to address other EU priorities; reiterates, however, that such reforms should be gradual, moving towards a fairer system of allocating direct payments across the EU and Pillar 2 (Rural Development) allocations between Member States; simplification and efficiency should in particular be key priorities for the next phase of reform;

### **Cohesion policy**

29. congratulates the Commission on its analysis of the impact of cohesion policy on the European economy and its demonstration of the major cumulative effects on national GDP; feels that cohesion policy is one of the most successful tools in providing solidarity and support for weaker regions, and helps to generate growth and prosperity throughout Europe, thanks in particular to trade and exports;

30. welcomes the fact that the Commission continues to see cohesion policy throughout the EU and thus in all its regions as necessary in order to promote economic, social and territorial cohesion and the harmonious development of the EU as a whole through smart, sustainable, inclusive growth. However stresses that significant investments must be made in the infrastructure of the least developed regions when drawing up the future cohesion policy. A substantial proportion of the EU budget should therefore continue to be used to speed up development in the least developed regions and to eliminate obstacles to development;

31. approves the proposed common strategic framework covering the Structural Funds and other funds for territorial development such as the EAFRD and the EFF and believes such simplification approaches could be extended to other funds in future; supports the concept of partnership contracts for development and investment that are an accurate budgetary illustration of the territorial pacts that it promotes for National Reform Programmes; such contracts must be developed in partnership with local and regional authorities and not just between Member States and the Commission as proposed in the Fifth Cohesion Report, in accordance with the principles of multi-level governance; supports the idea of expanding the governance of cohesion policy to include other policies, as it believes that experience has shown that this is the most effective and efficient method;

32. hopes that the territorial dimension – especially with respect to its rural and maritime aspects and to the outermost regions – is given the attention it deserves in the future cohesion policy and that a stronger link and greater synergy is found between regional development programmes supported by the ERDF, ESF and EAFRD;

33. considers that the institutional and financial capacities of the public sector at national, regional and local level are essential to achieving the objectives of Europe 2020 and that cohesion policy must continue to play a key role in strengthening them; also seeks clarification on the funding of the measures proposed under the seven flagship initiatives from the EU's various funding programmes;

34. welcomes the intention to increase the visibility and the scope of the ESF, including a stronger focus on social inclusion;

reiterates its support for the ESF remaining part of the Cohesion Policy; emphasises that the ESF's visibility and the effectiveness of its action depend on an integrated approach being taken to investment in human capital alongside that in infrastructure, R&D and innovation;

35. strongly welcomes the Commission's focus on support for new businesses, in particular SMEs that will play a crucial role in improving European competitiveness; therefore calls for a more visible mainstreaming of SME-friendly policies throughout the EU budget, giving particular emphasis to women entrepreneurs;

36. considers that money should be spent more efficiently but disapproves the idea of a performance reserve based on Europe 2020 objectives;

37. suggests, furthermore, that for the Structural Funds a specific early warning scheme should be set up in all regions to build on the existing relationship, where the European Commission advises managing authorities as to the rate of spend and potential for de commitment if the rate of spend and results do not meet agreed targets;

38. considers, finally, that the sums identified each year by this early warning mechanism as likely not to be spent, due to problems encountered by the regions and managing authorities, must in future be returned to the general budget to swell the 'flexibility and European interest reserve', in order, for example, to discourage Member States from the current practice of holding back project co-funding contributions in order to re-perate uncommitted sums later;

39. calls for the globalisation adjustment fund to be integrated into the Union's budget, in particular with a view to speeding up the mobilisation of resources but also to making a more effective contribution to the achievement of the objectives of the Europe 2020 strategy, providing for more employment growth and less unemployment, countering exclusion from the labour market, improving the quality, productivity and attractiveness of jobs and increasing social, economic and territorial cohesion;

### **An effective budget**

#### **New funding**

40. is in favour of looking at the possibilities of having support from the EU other than subsidies, although fully respecting the principle of subsidiarity and on a case-by-case basis, depending on the types of expenditure and the economic situation of the beneficiaries; financial engineering instruments should be seen as a valuable addition to grants, rather than as a replacement;

41. insists, however, that caution should be observed when devising and spreading the use of new financial instruments; considers that the crisis has shown that there is a need for regulation on EU level, the absence of which has sometimes jeopardised the financial equilibrium of local and regional authority budgets; stresses the need to be accountable to the general public and not to get too far away from the real economy;

42. also supports the call to establish a link between the European Financial Stabilisation Mechanism (EFSM) and the European Union budget to make sure that from 2013, the EFSM is no longer funded solely on an intergovernmental basis from uncommitted funds, but also includes, in keeping with the precepts of European solidarity, the Community budget mechanisms provided for in the Treaty of Lisbon;

43. draws attention to the need to provide regional and local authorities with better facilities for producing results, especially when new funding machinery (EIB, PPP, EU-project bonds) is provided which requires a high level of expertise;

44. would encourage the European Commission to look at the feasibility of 'citizens bonds' (local funds funded by citizens for local development) where citizens are able to invest in the development of their own communities or regions and where such investments are used to create major infrastructure and energy projects over a period of years;

45. encourages, however, the Commission to be ambitious so as to effectively mobilise any leverage effect that might be represented by the commitment of local and regional authorities to policy priorities; stresses the multiplier effect of local and regional public funding, including its impact on private partners, and the unifying role that can be played by the EU;

46. feels that it is essential to be able to issue EU-project bonds, in order to finance works on a large scale whose economic impact will be felt in the medium or long term. This device is likely to make the EU's interventions more visible and – above all – more efficient. It may have a highly beneficial leverage effect on the momentum of the internal market and help boost territorial cohesion. It is clearly consistent with the search for more rational EU spending focusing on European added value;

47. welcomes the public consultation launched by the Commission on Europe 2020 Project Bonds to fund infrastructure, and feels, in this context, that strengthening territorial cohesion should be seen as a priority; nonetheless feels that the use of EU Project Bonds should not be restricted solely to trans-

European projects for technical infrastructure, given that other infrastructure projects with a regional dimension could provide European added value; also considers that the link between EU Project Bonds and European aid should be clarified and that measures should be taken to ensure that local and regional authorities can access the new financial instruments;

48. calls on the European Commission to carry out a more detailed analysis of the proposed issuing of Euro-bonds which, by pooling some public debt, would allow all euro area countries to borrow at interest rates close to the best on the market, limit speculation against national borrowing and improve the quality of budgetary policy coordination;

49. considers that a credible budget is one of the answers to the current economic crisis, since it would act as a lever for economic, social and territorial development;

#### *Structure of expenditure*

50. considers that the current structure of the budget should be abandoned and recommends that the new structure should be practical, realistic, transparent and readily comprehensible, that it should show how tasks were shared out in a multi-level approach to governance and that expenditure items should be allocated in the light of how payments were actually made and policies were applied in reality; sees no grounds for bringing the number of headings down to three main ones: (Internal expenditure, External expenditure and Administrative expenditure). Fewer main headings indicate an increased amalgamation of information and a corresponding loss of detail. The main headings would have to be subdivided into meaningful and relevant subcategories. This would not contribute to transparency;

51. considers that while representing a main driver for policy mobilisation, neither the three strands of the Europe 2020 strategy (smart, sustainable, inclusive) nor the seven Flagship Initiatives are fit for the purpose of identifying budget headings as none of the three strands alone can include certain policies, such as cohesion policy or the CAP for example, the structure proposed by the Commission would lead to endless wrangling when the time came to allocate funds and put them into operation;

52. considers in particular that there should be an explicit reference to cohesion policy in the future budget structure which also took into account the reinforcement of its legal basis as regards economic, social and territorial cohesion within the framework of the Lisbon Treaty;

53. considers therefore that a possible structure of the budget headings should make it in particular possible to identify, under the same heading, all funds belonging to the common strategic framework (i.e. ERDF, ESF, Cohesion Fund, EAFRD and EFF). The structure could look like the following:

- 1) territorial policies (cohesion policy, CAP 2nd pillar, common fisheries policy, territorial impact of climate change, and major investments in infrastructure, research and innovation to achieve territorial balance);
- 2) policies for a sustainable future (CAP 1st pillar, climate change, energy, research);
- 3) European citizenship (including culture, young people, communication, area of freedom, security and justice);
- 4) external actions (including foreign policy, neighbourhood policy and development policy);
- 5) reserve for flexibility and European interest, and reserve for review;
- 6) administrative expenditure;

#### ***Duration of the financial framework***

54. is pleased that its proposal to extend the period of the multi-year financial framework to ten years with a proper mid-term review ('5 + 5') has been taken up by the European Commission, as it represents a compromise between stability, flexibility and a democratic parliamentary monitoring of European public spending; the mid-term review must limit the amount of funding which can be allocated to different priorities to ensure that it remains a genuine ten year programme and not two five year programmes, which would be less desirable than the current seven year programmes;

55. stresses that investment and development policies, such as the cohesion policy, cannot be adapted to a period of less than seven years. Therefore, the extension to ten years provides an adequate horizon and sufficient stability, while permitting the genuine mid-term flexibility that the EU budget currently lacks;

56. considers that, in view of the new procedures and new financial instruments arising from the Lisbon Treaty, the review could be made meaningful by using dual level machinery:

- at the first - and most general - level a 'review reserve' could be created, amounting to 5 % of the total EU budget for the last five programming years. Where this money was actually deployed would be negotiated at the halfway point: the

decisions taken at the start of the period could be confirmed, with a proportionally identical deployment among the headings, chapters, Member States and others, or there could be a new deployment adapted to trends in European priorities and the political, social and economic context. Whatever happened, this 'review reserve' would be added to the 'flexibility and European interest reserve' envisaged by the European Commission, as part of the new machinery for flexibility;

- at the second level, within the heading concerning cohesion policy and the other territorial development policies included in the common strategic framework, the Member States could be authorised, with the agreement of the regions, to re-deploy up to 25 % of the amounts in the partnership contracts for investment and development. This deployment could be carried out between the various funds concerned, i.e. the Cohesion Fund, the ERDF, the ESF, the EAFRD and the EFF;

#### ***Responding to changing circumstances – flexibility and transfers of appropriations***

57. considers that budgetary flexibility should be guaranteed in order, firstly, to be able to re-orient strategy mid-term, thanks to a 'review reserve', and, secondly, to cope with unforeseen and extraordinary events, thanks to a 'flexibility and European interest reserve', while seeking greater efficiency in European expenditure;

58. welcomes the Commission's proposals but stresses that flexibility must not serve as a pretext for under-estimating the budgetary needs of the EU's policies; and that an obligatory percentage, which the Commission proposes should be 5 %, should remain provisional, as the margin for flexibility depends by definition on indicators that vary according to political and economic circumstances;

59. stresses that the 'flexibility and European interest reserve' should not under any circumstances be used as a reserve for rewarding the best performances in absorbing funding, but it should be used to boost the EU's capacity to react more quickly overall to new challenges or unexpected shocks, to support new priorities or to promote cooperation and experimentation at European level. Such a reserve should not be allocated in advance but should be the object of an explicit decision by the budgetary authority. It could reward excellence in certain budget headings, assessed in terms of impact and results;

60. considers, furthermore, that flexibility over unused resources in the EU budget must mean re-deployment in the light of some sort of objective yardstick for measuring excellence in management, and not be used for any other purpose;

61. considers that the possibility of re-deployment enabling transfers between headings for a given year, as envisaged by the Commission, is necessary since the current system has turned out to be too rigid. Simplification of such transfers within the MFF needs to be explored, while ensuring the full respect of the principle of sound financial management and budgetary discipline;

62. welcomes the proposal to allow the possibility of transferring unused margins from one year to another to avoid them being reallocated automatically to the Member States, as well as the freedom to bring forward or postpone expenditure within a heading's multi-annual budget;

63. recalls the need for flexibility at all levels, by giving regional and local authorities margins of manoeuvre for re-assigning funds and reviewing priorities and expenditure if necessary;

### **Efficiency**

64. welcomes the Commission's call for greater efficiency in administering the EU budget, since more efficient management of spending would give better results, and encourages the Commission to implement it without delay;

65. strongly encourages regional and local authorities to strengthen their technical and human resources, and believes that the complexity of EU funded projects, especially administrative burden and red tape, should be reduced; in the context of the economic crisis which has resulted in major cuts in public budgets, and so as to endure the efficient use of the EU budget, stresses the need for appropriate levels of financing to be ensured in order to properly enable regional and local authorities to take part in major projects financed through structural funds;

66. also welcomes the proposal to focus spending on concrete priorities, while acknowledging that less developed regions should be given the opportunity to set a larger number of priorities; to do this it suggests that the range of objectives should not be increased too much, bearing in mind also that successive enlargements have created greater disparities within the EU;

67. points out that the only way to achieve efficiency in implementing the EU budget, and thus in spending, is through coordination, consistency and cooperation, both between different administrative levels and between funds; it therefore seems illogical to return to single fund planning, as has been done, as this means that arrangements also have to be made for new inter-fund coordination mechanisms to avoid overlapping and duplication; it is the beneficiaries of the funding who have to confront any difficulties arising from the lack of coordination, this coordination being crucial to enhancing management efficiency;

### **The EU budget and the economic governance of the EU**

68. reiterates its warning against the possible linkage between the allocation of Structural Funds and Member States' compliance with the Stability and Growth Pact, and expresses serious concern as regards the proposed conditions which would be imposed at local and regional level in breach of the principles of good governance and responsibility at all levels;

69. strongly disagrees with the proposal that a Member State's non-compliance should result in the discontinuation of funding under cohesion policy and the common agricultural or fisheries policies, because regional authorities cannot be held responsible for the inability of national institutions to meet macro-economic criteria or implement EU rules correctly and such a measure would risk hitting hardest those regions that are lagging behind in their development and that need jointly funded programmes to combat their structural weaknesses;

70. requests that, in order to provide a greater incentive, local and regional authorities be involved upstream in analysing the situation and searching for solutions;

71. declares itself ready to work with the other EU institutions in setting up a real system of conditionality in the payment of funds, while striving for the simplification of purely formal monitoring procedures;

72. calls for a comprehensive review of the EU financial regulation to make financial rules simpler both to implement and to enforce with the aim of encouraging more potential beneficiaries to apply to EU calls for tenders;

### **Reform of funding**

73. points out again that that the new system for financing the EU budget must be based on transparency and on new own resources, and exclude all types of financial corrections and exemptions;

74. considers that an EU budget cannot be negotiated solely in terms of the net contribution of the Member States, because this is inconsistent with the basic philosophy behind the creation of the European Union and contrary to the objectives of the Europe 2020 strategy; such an approach has the risk of leading to demands for the re-nationalisation of policies, which the CoR firmly opposes;

75. welcomes the ideas set out by the Commission for defining a funding mechanism based on own resources. It notes that their territorial impacts are not identical and that some of the paths considered are already managed by regional and local authorities in some Member States;

76. will carefully assess the territorial impact of each of these, particularly those which are most linked to the theme of sustainable growth, to the extent that the resources thus released are then channelled directly into projects which encourage energy efficiency on the ground, protect the environment, prevent risks or intervene in the event of major disasters;

77. is of the conviction that in the long term, the increase of existing own resources and/or the introduction of new own resources should aim at replacing national contributions to the EU budget. Emphasises that:

— a thorough impact and feasibility assessment needs to be carried out before any new own resources can be agreed upon;

— any new source of revenue must be a stable source of income and not be subject to unpredictable changes;

78. stresses that the use of these financial resources must be governed by flexible administrative procedures.

Brussels, 31 March 2011.

*The President  
of the Committee of the Regions*  
Mercedes BRESSO

---