Opinion of the European Economic and Social Committee on the ‘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 — The EU Budget Review’

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On 19 October 2010, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

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 - The EU Budget Review


The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 31 May 2011.

At its 472nd plenary session, held on 15 and 16 June 2011 (meeting of 16 June 2011), the European Economic and Social Committee adopted the following opinion by 175 votes to 2, with 5 abstentions.

1. Conclusions and recommendations

1.1 The EU budget review is not a question of figures but rather a tool serving a political project. Today the European Union does not have the budgetary means to implement either its political strategy or the commitments deriving from the new Lisbon Treaty.

1.2 The economic and financial crisis, which began in the United States, has severely affected Europe and caused a cascade of growing deficits in most Member States. This situation inevitably has repercussions for the preparation of the 2014/2020 financial perspective but the European Union must not be the victim of this.

1.3 We therefore have to have the imagination to draw up a ‘smart’ European budget which will provide the EU with the means to achieve its objectives without increasing the overall tax burden on the public and on businesses.

1.4 The ‘juste retour’ principle must be abandoned as it is contrary to the values of solidarity and mutual benefit which underpin European integration. Rather, the subsidiarity principle needs to be applied by transferring to European level that which has lost its meaning and effectiveness at national level. The EESC congratulates the European Commission on proposing a return to the principle of own resources which can be newly created or substituted for national taxes.

1.5 The European budget must be strengthened and have a leverage effect. The EESC maintains that national and European budgets should complement each other, which will make it possible to achieve economies of scale with a view to meeting the EU’s major political objectives. The effectiveness of EU action will also be strengthened by more systematic recourse to EIB loans, public-private partnerships and the creation of Eurobonds for investment.

1.6 In order to show that a euro can be better at used at European level, the EU must embark on a real revolution in procedures, which today are much too cumbersome, and concentrate its action on projects with a high public profile.

1.7 The only way to make a success of an ambitious budget is to win the battle of public opinion. That is why the EESC would like studies to be carried out and published on the cost of non-Europe, highlighting duplication in national budgets. In this way the EESC is supporting the European Parliament’s initiative, to which it will make its contribution.

1.8 In order to be credible vis-à-vis European citizens, the EU budget must be a model of governance, effectiveness, transparency and control of administrative expenditure.

2. In search of a new objective

2.1 In its communication, the Commission does not hide its desire to set out an ambitious approach for establishing the EU’s post-2013 financial perspective. The EESC welcomes this since the Treaty of Lisbon has opened the way towards a strong political identity for the European Union.
2.2 The EESC agrees with the Commission that the concept of 'juste retour' is even less appropriate today than it was at the start of the European venture. This concept, which has too often distorted European integration and derailed debates, is in large measure responsible for the shortcomings, delays and failures of the integration process. It runs counter to the spirit of a union of states and peoples and defies rational economic argument. The advantages and added value of an economic, monetary and political union should, by their very nature, be of benefit to everyone. The progress made by the European Union is all based on the multiplier effect of joint efforts, the polar opposite of the 'juste retour'.

2.3 On the basis of these considerations, the Committee was of the view as early as 2008 that 'There is a fundamental choice to be made when shaping budget policy: federalism or an intergovernmental system. Clearly, the arrangements for financing the budget are one measure of the level of advancement of European integration' (1).

2.4 In this connection, the Committee would also like all lessons to be drawn from an objective analysis of the way in which the budget currently functions. The Commission rightly points the finger at delays in the launch of programmes, the complexities inherent in the system and decentralised implementation, which has not yielded positive results. These shortcomings must be analysed in depth with the participation of all stakeholders in order to learn the necessary lessons to correct them.

2.5 The EESC supports the four core principles set out by the Commission: delivering key policy priorities, strengthening added value, the obligation to ensure results and maximising the mutual benefits of solidarity. The EESC wishes to add one further requirement, visibility:

2.5.1 The current impact of the EU's budgetary measures is not satisfactory from this point of view. This shortcoming is an obstacle to European integration since it makes it more difficult to achieve genuine public support and provides Member States with arguments to curb the growth of the European budget. This should be rectified from the point of view both of the budgetary procedure, which seems very opaque to the public, and of operational expenditure, which too often is confidential, scattered over minuscule projects or concealed within the framework of complex co-financing.

2.6 For the EESC, such changes to the EU's budget policy should contribute directly to the objective of renewing the Community method, which the Committee explicitly called for in its opinion of October 2010, adopted by a very large majority (2).

3. In search of greater complementarity between the national and European levels

3.1 The EESC cannot accept the process of European integration, which depends on the budgetary resources it is granted, being taken hostage by the question of reducing public deficits. This would jeopardise the political ambitions of the European Union stemming from the Lisbon Treaty and the Europe 2020 strategy.

3.2 The EESC proposes complementarity between national budgets and the European budget on common objectives, for example via partnership contracts for the 2020 strategy's development and investment. It would also involve the 'smart' aggregation of national and European resources in order to achieve economies of scale and a leverage effect and reduce national budget deficits as a result of the positive effects of pooling of resources.

3.3 To this end, the Committee calls on the Commission to provide the necessary funds to update without any further delay the evaluation of the cost of non-Europe, which has not been calculated since the Cecchini report (3) 23 years ago. The Committee welcomes the intention expressed by the European Parliament to undertake an initiative in this area. The Committee itself intends to participate fully in work in this area and to make an active contribution.

3.3.1 European citizens and taxpayers should be aware of the size of the bill they are now forced to pay as a result of the unnecessary duplicate costs of persistent barriers in both administrative and economic areas. They should be informed of the 'economies of scale' from which European public policies could benefit through further integration. For example, the public pays every day for the absence of a European transport system, although enshrined in the Treaty of Rome, in terms of delays and disruptions and a certain lack of productivity for businesses. The same applies to the inadequate opening up of public procurement, although the Cecchini report estimated that opening up European public procurement could generate two million new jobs.

3.4 The EESC stresses in particular the knock-on economic effect that one would rightly expect from an increase in the European budget based on such economies of scale. By offsetting the negative impact of severe corrective measures in national public finances through productivity gains, the need for budgetary discipline to deal with deficits could be reconciled with economic and social recovery to help Europe emerge from the crisis and 'weak' growth.

(2) EESC opinion, Renewal of the Community method (guidelines), OJ C 51, 17.2.2011, p. 29.
3.5 This kind of support for the economy would in turn have a positive impact on tax revenues and thus on balancing public accounts. A smart increase in the European budget should make it possible to initiate and sustain a virtuous economic and budgetary circle by exploiting areas of mutual complementarity. Sustainable consolidation of growth and employment in Europe requires that these complementarities between the national and European levels be exploited.

4. Seeking greater budgetary autonomy

4.1 The EESC believes that increasing the European budget is not only desirable but necessary, given the scale of the new challenges requiring a joint response.

4.2 To this end, it supports the European Commission's proposal concerning the primacy of a system based on own resources, with revenues going directly into the EU budget without passing via the national level. The EESC considers that there will be no effective reform of the European budget without restoring well targeted, sustainable and autonomous own resources, in place of national contributions which were introduced from 1980 with a special rebate for the United Kingdom, and which were made permanent by the 1984 Fontainebleau Agreement, perpetuating the erroneous concept of the 'juste retour'.

4.3 The Committee appreciates the diversity of the proposals for new resources put forward by the Commission in its communication, particularly those regarding financial transactions and CO₂. Without wishing to comment at this stage on the nature of the new own resources, the EESC stresses the need to submit all proposals in this area to an impact analysis, which will permit a more effective assessment. The Committee would also like the possibility to be explored of transferring taxes or a proportion of existing national-level taxes to the European level, using VAT as a model. One possibility here would be to transfer a proportion of corporation tax if there were a common base, as proposed by the European Commission.

4.4 The EESC expects that such a reform would potentially remove national corrective mechanisms over the long term which would no longer be justified in a reformed European budget providing extra added value for all Member States.

4.5 The EESC also stresses three principles which it believes are key to the success of any reform of the European budget's resources:

4.5.1 The tax burden in Europe must not rise as a result of the reform of own resources.

4.5.2 The possible new European levies must not have an excessive discriminatory impact on certain countries on grounds of their specific national features or hamper the activities of businesses established in the European Union. Nor should they have an excessive impact on citizens, especially the most disadvantaged, as is the case with VAT.

4.5.3 The reorganisation should contribute to rationalisation and better balancing of the overall tax burden, in line with the Union's competitiveness and employment objectives. European expenditure should also be focused more on the EU's priorities and areas where economies of scale can be achieved. For the EESC this is a necessary precondition for any significant increase in the European budget.

4.6 Finally, the EESC believes that it could be possible, pending further EU integration, to adopt innovative approaches bringing together, through specialised agencies or some other route, national budgets and the European budget in areas such as research and development, innovation, development aid, and financing of major infrastructure. Such an approach would make it possible to achieve real integration of priorities and means, while ensuring monitoring capacity at each political level of responsibility, both national and European.

5. In favour of measures geared more towards European added value

5.1 The Committee stresses the need to ensure that the European budget matches the objectives and commitments of the Europe 2020 strategy. Apart from the corresponding budgetary resources, this also requires visible links between the budgetary activities planned and the various pillars of the Europe 2020 strategy.

5.2 The Committee particularly stresses the need for effective use of the budget in areas where the European Union has direct responsibility: first and foremost consolidating economic and monetary union, strengthening solidarity among EU Member States and implementing new policies stemming from the Lisbon Treaty: energy and climate, justice and home affairs and external policy.

5.3 The recent crises in the euro area have underscored the need to promote solidarity within the framework of economic and monetary union in particular. The means available under the European budget have themselves provided useful, urgently needed support, anticipating the creation of the stabilisation fund. The decision to incorporate this stabilisation mechanism into the Treaty is a new stage in European solidarity and in meeting the objective of political and economic integration, with a view to sustainable consolidation of the economic and monetary union which has been a key element of progress in the European venture and the economic and social cohesion of the single market. It is for example urgent to relaunch the economic union which has lagged behind monetary union, thus weakening it. The Europe 2020 strategy will have little prospect of success unless this gap is closed. This prospect should have been examined in greater depth in the Commission document.
5.4 The other major priority for the European budget is, as rightly stressed by the Commission, strengthening the policies of the ‘magic triangle’ of research, innovation and education, which are at the heart of the challenge of globalisation.

5.4.1 However, with a budget representing just 4% of that of public research in Europe, it will not be possible to change the situation fundamentally in the face of global challenges. The means must be found, especially financial means, to transform European programmes into useful tools to make European industry more competitive.

5.4.2 Integrating national programmes and the European research framework programme in one way or another is vital in order to achieve economies of scale and critical mass. It will also be essential to ensure that the focus is on key sectors, to take account of specific national points of departure and to correct any shortcomings identified, especially administrative practices which weigh or slow down proceedings.

5.4.3 The European innovation policy should form a fundamental basis at the heart of research in Europe, whereas to date it has been treated by the Commission merely as a by-product of research measures. The European Commission was due to propose a major change and this is what it did in its recent communication Europe 2020 Flagship Initiative – Innovation Union (COM(2010) 546 final).

5.4.4 The EESC reiterates in particular its calls for a far more ambitious policy linking support for entrepreneurship, the removal of barriers between national networks supporting and promoting innovation and a European ‘clusters’ policy, in order to allow ‘European champions’ to emerge in place of ‘national champions’. The Committee welcomes the decision taken to introduce reinforced coordination with a view to creating a Community patent. This should be put into effect as soon as possible in order to end a situation which has been a serious handicap to EU competitiveness for decades.

5.4.5 In the area of education, the EESC has called for more ambitious initiatives and in particular the launch of new ‘European schools’, open to all, as a tangible sign of a stronger European identity, the emergence of genuine European universities (4) as well as a European policy of new skills for new jobs (5).

5.4.6 The European Commission should pay greater attention to objective analyses of the effects of EU policies and to ensuring precise correlation between the information included in the annexes and the main document.

5.5 The economic, social and territorial cohesion policy also contributes directly to development of European solidarity. The EESC will oppose any dismantling of this policy, which is the symbol of a union of peoples. However, the EESC calls for it to be overhauled to make it more effective, especially by simplifying the way it is managed, focussing more on flagship projects linked to European priorities and ensuring that economic and social stakeholders are involved more closely. With this in mind, the EU must tackle the exclusion of the most vulnerable sections of the population and support the countries and regions which are the most remote and disadvantaged on account of their specific characteristics in order to allow them to participate fully in economic and social progress. From this point of view, and with regard to the employment situation, the European Social Fund should be the preferred instrument, particularly in view of its financing, for the implementation of the European Employment Strategy. This should be at the centre of the ‘inclusive growth’ strategy of Europe 2020.

5.6 A major priority of the Community budget, which is directly linked to the objective of a more effective and cohesive EU, which is closer to the grass roots, should be to invest more in European public goods. This priority is rightly mentioned by the Commission. However, it should be spelt out and stated in practical terms. For its part, the EESC intends to explore the matter in greater depth in conjunction with economic and social stakeholders with a view to clarifying needs and objectives. The EESC would stress a number of requirements in this connection:

5.6.1 The EESC stresses first and foremost the need to develop genuine services of general interest at European level, complementing national administrations and in partnership with European users, in order to ensure the sound organisation and security of the EU in areas coming under its collective responsibility.

5.6.1.1 This concerns in particular the organisation of the internal market and customs, but also new areas where the Member States have decided to transfer powers: immigration and asylum policy, justice and home affairs, the establishment of the European diplomatic and external action service as well as guarding external borders.

5.6.2 The EESC also stresses the need to increase trans-European infrastructure investment, inter alia, in order to support these European services of general interest and to ensure that they function correctly. There have been too many delays since Jacques Delors presented the Commission’s White Paper in 1993, whose proposals and methodology have hardly been followed up by action. A large area of Europe, especially in the countries which have recently joined the EU, remains excluded from major trade patterns on account of these shortcomings. Among the infrastructure priorities to be met, the EESC stresses structural projects, such as the specifications of the Single European Sky (6), high-speed train lines and networks of navigable canals. Large-scale investment with a European dimension is also required in the field of energy policy in order to ensure greater independence of supply and in order to invest in security, efficiency and renewable energies.

(4) EESC opinion, Universities for Europe, OJ C 128, 18.5.2010, p. 48.
(5) EESC opinion, New skills for new jobs, OJ C 128, 18.5.2010, p. 74.
5.6.3 There is also a need for common innovative investment to deal with the new challenges of competitiveness and security in the area of telecommunications, the environment and civil protection.

5.7 As regards the common agricultural policy (CAP), the EESC reiterates its support (\(^7\)) for an overhaul of the policy. It is a question of reform in order to adapt to the new challenges without renationalising or abandoning the principles which are its strengths: internal and external solidarity, quality of food production, Community preference, territorial cohesion to promote rural areas, especially upland and island areas. Indeed, one of the CAP’s main tasks is to upgrade the role of farmers. It is also required to contribute to the sustainable management of natural resources, making it possible to respond in specific ways to the major challenges of combating climate change, protecting the environment and biodiversity (\(^8\)).

5.8 In respect of external policy and development aid for third countries, the EESC reiterates its support for streamlining the representations of the EU and Members States, as well as making European aid more effective, complementing national aid and in closer partnership with the economic and social stakeholders directly concerned.

5.9 With regard to development aid, where traceability of use has to be ensured, the EESC considers that it would be appropriate to combine the national and European programmes, both in the interests of effectiveness and coherence and in order to make European support more visible. In this connection, the EESC points out that the clause in the Cotonou agreements reserving 15% of EDF aid for activities by non-state actors was introduced on its initiative. It proposes that this principle be applied and extended to all development programmes.

6. In search of effectiveness

6.1 At this difficult time for European public finances, the European budget should set an example of good governance. Without resorting to facile demagogy about the administrative costs of the European institutions, which are proportionately much less expensive than national administrations (for example, the European Commission employs no more staff than the city of Paris!), the EESC recommends that measures be taken to highlight the participation of the European institutions in the administrative economies being undertaken by the Member States. At the same time, the institutions, including the EESC, should be mindful of the principles of equal opportunities and non-discrimination enshrined in the Treaty during recruitment and promotion procedures. The EESC stresses, however, that good governance also requires giving European civil society the means to participate fully in the European debate.

6.2 The support provided through the European budget to Member States should itself be subject to greater conditionality; in particular beneficiaries should respect Community rules and ECJ rulings and it should be ensured that Community support is compatible with competition rules.

6.3 Faced with the challenges of converging economic policies within the framework of EMU, support should be geared more towards ensuring conformity with the requirements of the Euro Plus Pact.

6.4 The financial support granted to third countries should be dependent on the traceability of its use, respect for their commitments, especially as regards economic and social reforms geared towards openness, mutual partnerships, and participation of socio-occupational stakeholders from civil society.

6.5 The development of the euro and the need to consolidate the cohesion of the euro area vis à vis the markets also provides untapped possibilities for innovative borrowing and lending policies at European level, multiplying the impact of support from the European budget. First of all, the EESC calls for greater coordination between the ECB, the Eurogroup and the EIB. It welcomes the encouraging results of the first Eurobonds and is keen for them to be extended to the areas of training, research, industry and European infrastructure. At the same time, provided that strict conditions and requirements are met, the establishment of this 'European treasury' could be used to pool a significant proportion of the Member States’ debts. These instruments would be further evidence of the European Union’s internal solidarity, and its political commitment to the irreversibility of the euro.

6.6 The EESC advocates better identification of projects supported by the European Union with a view to focusing on that which offers the greatest European added value. The EESC therefore calls for greater flexibility in the ‘additionality’ rule, which should no longer be judged on a project-by-project basis but rather in a global manner in the framework of strategic partnerships with Member States.

6.7 Accelerating the procedures for defining priorities and allocating funds may also make it possible to respond to certain needs. The EESC has already recommended exploring more widespread use of either specialised agencies or global subsidies to grassroots bodies, such as regions or civil society organisations. The latter technique, which the EESC prefers, has worked well for regional policy and could be extended to all the EU’s financial measures.

\(^7\) EESC opinion, Strengthening the European agri-food model, OJ C 18, 19.1.2011, p. 1.
\(^8\) EESC opinion, The future of the CAP, OJ C 132, 3.5.2011, p. 63.
6.8 For major investment projects the use of EIB loans and private financing must also be encouraged, with a legal framework such as the one formulated in a recent EESC opinion (9). Developing this on a new scale would make it possible to make up the European delays in infrastructure construction and to finance the major technological projects which will determine our competitiveness against a background of globalisation.

6.8.1 Furthermore, the EESC believes that more flexibility and better adapted mechanisms may be required for emergency situations, following the example of the Globalisation Adjustment Fund (10).


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(9) EESC opinion, Private and public investment, OJ C 51, 17.2.2011, p. 59.