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Financial Perspectives 2007-2013

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The Financial Perspectives simply cannot be divorced from their political context. If we want to reach our common goals: to become the most competitive economy, to ensure the safety of our citizens, to become the leading player in the world, if we want to make a lasting success of enlargement, then we need the necessary resources to reach these policy goals.

Why do we need Financial Perspectives? What are the priorities?

Financial perspectives provide stability for annual budgets, promote budgetary discipline, and enable a long term focus to be given to EU priorities.

The last Financial Frameworks all corresponded to the political priorities which Europe faced at that time:

- 1993-1999: priority given to social and cohesion policy and to set the basis for €;
- 2000-2006: preparations for enlargement.

With the proposed Financial Perspectives for 2007-2013, the Commission is again seeking to achieve certain priorities. Now, we need to transform the European Union into a dynamic knowledge-based economy geared towards growth. In the context of an enlarged Union of 25 Member States, we need to pursue greater cohesion.

Other priorities include the preservation and management of the EU's natural resources, as well as developing the area of Freedom, Security and Justice, which will include combating terrorism. All this will help us to achieve our final priority, and that is developing a role for the European Union as a global partner.

The Commission has translated these priorities into figures. We see on the table that by the end of the next financial framework in 2013, the spending on sustainable growth will increase by 63% compared to the levels prior to 2007. Within this category of sustainable growth, the spending on EU competitiveness will increase by remarkable 194%, and spending on cohesion will increase by 33%.

The level of protection and management of natural resources will go up by 3%, but it is important to stress the fact that the proportion allocated to the agricultural sector will decrease significantly. Funding for Citizenship, Security, and Justice will increase by 90%, which is 3 times more than the current spending. Spending on the relevance of the European Union as a global partner will increase by 40% by 2013.

It is important to understand that only by having a stable multi-annual financial framework can we achieve our desired results. Moreover, we need to be clear on the fact that this is not a question of redistributing resources among Member States. It is about maximizing impact of our common policies to ensure that a Euro spent at EU level does the job better than a Euro spent at national level.

Why now?

The current Financial Perspectives expire at the end of 2006. We need a deal now for technical reasons. Putting in place the detailed legal instruments and multi-annual programs to spend the annual budget takes time. Many of the current spending programs expire at the end of 2006. In the last financial perspectives, the deal came far too late to enable the money to be spent efficiently in the first years. The minimum period necessary is 12-18 months. And that is why time is of the essence, and we need to deal with this now.

There are also very important political reasons why we cannot delay a decision about financial perspectives:

- A deal on the financial framework for the enlarged Europe would send a positive signal that Europe is working.
- It would create real momentum behind the shared political priorities of the new Commission and new Parliament.
- And it would help prepare the ground for the next enlargement.

Main issue at the moment is the disagreement on the ceiling of the total expenditure.

The Commission is calling for an average spending level of 1.14% of EU Gross National Income (GNI) over the seven year period 2007-2013. Over that whole period, the ceiling stays below the current own resources ceiling of 1.24% of EU GNI.
However, the problem is that the six largest net contributors want to lower the ceiling to 1% of EU GNI, which accounts for a gap of €210 billion.

Why 1% is unrealistic:

1% does not only mean cutting down the Commission's proposal, but cutting the current EU budget, and financing the accession of two new Member States – Bulgaria and Romania – within an even smaller budget.

Cutting the budget ceiling down to 1% could not be achieved by a modest scaling down of ambitions or slight adjustments in small-scale programs. It could only be achieved by abandoning major commitments already made by the Member States. The EU would have to choose where commitments would have to be abandoned.

The ambition to make the European Union more competitive would suffer. Because the CAP expenditure is fixed (at €301 billion), this means that there would be a real cut of 29% on all other Commission proposals except for agriculture. The cut would affect contributions to European and all other programs linked to the Lisbon Agenda, and it could severely cut the cohesion policy. This would make agriculture again the strongest item in the EU budget (close to 50%).

Consequences of late or no agreement on FP:

Failure to agree would be a huge political setback for the EU. Not agreeing on a financial framework for the first time since 1988 would send the signal that the enlarged EU is not working, and that it cannot respect its commitments, most notably to the new Member States as regards cohesion policy.

Failure to agree on time would make it impossible to adopt multi-annual programs providing legal basis for much expenditure, including structural funds, research education and training, trans-European networks, the protection of external borders, external relations, and so on. This will significantly delay financing reaching the Member States, and it will be especially harmful for the 10 new Member States because of a delay in receiving Structural Funds.

Failure to agree would undermine the EU's broader policy objectives. Late or non-agreement would undermine the re-launch of the Lisbon Agenda, and create a climate of uncertainty around attempts to boost the European economy.

Conclusion

The Commission's proposal for the budget for the period 2007-2013 is reasonable. We fully recognize Member States' concerns and the need for budgetary rigor. But national spending over the past seven years has grown more than twice as fast as EU spending. Member States' public spending in recent years has taken up on average around 45-50% of national wealth. The EU Budget takes only slightly more than 1% of national wealth of the European Union.

The credibility of the European Union is at stake. We cannot go on making promises and then failing to produce the decisions and the resources required to deliver them. We need to take responsibility for the future challenges of an enlarged European Union.

We need a clear view – Do we focus on political priorities for the period after 2007 and then look at the cost of achieving these priorities, or do we fix the price first, and then see which priorities will fit. The Commission proposes to focus on political priorities and foresee an adequate ceiling to finance these needs.

Christian Bourgin