

Some reflections on the EU budget review

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The decision to undertake a full, wide-ranging review of EU spending and resources was taken by the Heads of State meeting in a European Council summit in December 2005, to serve as the basis for discussions in the run-up to the proposals for the post-2013 financial framework. To this end, the Commission launched a public consultation on the budget review in June 2008, which finally saw the light of day on October 19th, with publication of the Commission's Communication on the budget review.

It is an interesting document, in that it departs from the conventional way of addressing budget priorities, which has tended to focus on changes within the policies. This review instead concentrates on performance and delivery mechanisms. It announced that the budget needs to reflect the Europe 2020 Strategy and gives some indications on how this affects present policies. While generally defending the areas of intervention that the policy presently covers, it consciously leaves open the discussion on policies and announces that integrated and demanding strategic guidelines will take care of this. Anyone looking for strong additional declarations, for example, on climate change or for specific percentages of earmarking on any objectives will be disappointed.

The Commission clearly considers that the future budget can only make sensible interventions once there are appropriate instruments in place to ensure efficient targeting of strategic objectives. The core of the review is on *enhanced flexibility, better targeting, results-oriented monitoring and enhanced use of non-budgetary financial instruments* (i.e. loans). Mechanisms that ensure targets and objectives have to be the core objective, rather than just the financial absorption of funds, which heretofore has been the principal criterion of success. It also calls for a much wider and effective use of non-grant-based instruments to achieve the Union's objectives on R&D and infrastructure, because the financial requirements in the areas of energy and transport go far beyond the public financial capacity of the EU and member states. In presenting the budget review, the Commission breaks with some important taboos, such as the possibility to raise funding through bonds for large projects, which at present is legally questionable given the prohibition on the EU budget running a deficit.

The review also focuses on previously underdeveloped areas of the budget, such as external action, and Justice and Home Affairs comes in for detailed scrutiny. It pays intense attention to the external action budget, calling for a larger budget with a much higher coordination with national

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expenditures. That the Commission dedicates so much more attention to this domain than to either agriculture or cohesion policy is telling.

Overall, the proposals are healthy and commendable, but the document has weaknesses, notably in its failure to address actual policies in any depth. This weakness is strongly apparent in agriculture, and a leaked 2020 CAP strategy shows little evidence of groundbreaking thinking in this field or, in particular, any commitment to budgetary austerity. This oversight can be very damaging for the review. In fact, the document generally defends all budget lines and reiterates the importance of policies that are today underfinanced. No cuts are proposed; in fact, on the contrary, it states that the budget is too financially constrained to perform its obligations. This stance is clearly going to be a difficult point in the discussions on the review in today's atmosphere of austerity.

Of related interest, see also the author's critique of the recently leaked Commission document on CAP reform, published as a CEPS Commentary, entitled "The circle that cannot be squared", 21 October 2010 (download at <http://www.ceps.eu/book/circle-cannot-be-squared>).