Congreso de los Diputados

SECRETARIA GENERAL
DEL
CONGRESO DE LOS DIPUTADOS
DIRECCION DE COMISIONES
28 FEB. 2013
Nº 7681
ENTRADA

INFORME SOBRE LA REUNION SOBRE POLITICAS DE COORDINACION ECONOMICA, CELEBRADA DURANTE LA SEMANA PARLAMENTARIA DEL SEMESTRE EUROPEO, LOS DIAS 28 a 30 DE ENERO DE 2013, EN LA SEDE DEL PARLAMENTO EUROPEO EN BRUSELAS.

Los días 28 a 30 de enero de 2013 se trasladó a Bruselas una delegación del Congreso de los Diputados compuesta por el Presidente de la Comisión de Economía y Competitividad, D. Santiago Lanzuela Marina, el Vicepresidente Primero de la misma, D. Jesús Caldera Sánchez- Capitán, el Presidente de la Comisión de Hacienda y Administraciones Públicas, D. Gabriel Elorriaga Pisarik, el Presidente de la Comisión de Empleo y Seguridad Social, D. José Eugenio Azpiroz Villar y la Letrada de la Comisión de Economía y Competitividad, Dña. Mónica Moreno Fernández- Santa Cruz. La delegación estuvo acompañada en todo momento por la Representante Permanente de las Cortes Generales ante el Parlamento Europeo, Dña. Carmen Sánchez- Abarca Gornals.

Las reuniones se celebraron en el marco del Semestre Europeo y el deseo del Parlamento Europeo de dotar a la Unión Europea de una mayor legitimidad democrática, basada indudablemente en la implicación de los parlamentos nacionales que representan a los ciudadanos europeos, de cara especialmente a la futura reforma de los tratados constitutivos y a la adopción de todas las medidas necesarias para garantizar el pleno empleo y el crecimiento que Europa necesita, no sólo para salir de la crisis actual sino para prevenir otras futuras.

Dado que se trataron medidas de coordinación de políticas económicas, se celebraron reuniones paralelas de las Comisiones competentes, si bien se iniciaron con una reunión común, **el martes 29 de enero a las 9.00 horas**, que introdujo el Vicepresidente del Parlamento Europeo, Othmar Karas. Éste se refirió a los trabajos realizados en el marco del Semestre europeo, en el que se enmarca esta semana parlamentaria europea a la que asisten los presidentes de las cámaras de diputados de Chipre, Irlanda, Rumania y Malta y los presidentes de todas las comisiones parlamentarias competentes de todos los estados miembros. Agradece a todos los presentes su asistencia, una amplia asistencia que da idea de la importancia de los temas a tratar y de la centralidad del artículo 13 del Tratado que predica el refuerzo de la cooperación de los parlamentos nacionales. El objetivo de la semana parlamentaria es acentuar la democracia y otorgar a los estados miembros una participación ex ante en las políticas presupuestaria, económica y social a nivel europeo. Todos los estados miembros se han comprometido a adoptar los objetivos de la estrategia 2020, sobre todo a luchar contra el desempleo juvenil, para lo que es muy importante coordinar las políticas nacionales como garantía para alcanzar el éxito. Las previsiones de crecimiento, las políticas sociales, el two pack, el six pack, las Directrices y el Pacto de Estabilidad y Crecimiento están relacionadas. En abril los estados presentarán sus previsiones y se harán los informes nacionales. Todas estas competencias, objetivos y planes deben ayudarnos a mejorar la estabilidad y la coordinación en la política económica y financiera. Refirió que asisten también dos expertos externos que ayudarán a profundizar en el debate. Se ha dicho, dijo, que el proceso de toma de decisiones en la Unión Europea adolece de falta de funcionamiento democrático y que el Consejo y los gobiernos toman decisiones a puerta cerrada, siendo preciso identificar quién asume las decisiones, por eso debe reforzarse la dimensión parlamentaria nacional y europea, en suma, la

legitimidad democrática, con la plena y cada vez mayor intervención del Parlamento Europeo y de los parlamentos nacionales.

Seguidamente, el Vicepresidente dio la palabra a Olli Rehn, Comisario Europeo y Vicepresidente responsable de asuntos económicos y monetarios. El Comisario, tras unas palabras de agradecimiento y bienvenida, señaló que se está preparando el tercer semestre europeo para la estrategia 2020 de crecimiento y trabajo. Es fundamental reforzar la legitimidad democrática y la responsabilidad de los países para ahondar en la unidad política y económica. Es necesario un debate abierto en los parlamentos que representan a los ciudadanos. Recordó que hace un año, desde el punto de vista económico, la incertidumbre sobre Grecia, Irlanda y España y la liquidez que no llegaba a la economía real eran graves problemas y que afortunadamente ahora ya no se habla del derrumbe del euro y otros problemas, aunque quedan muchos retos que superar. Señaló que, en concreto, en España el desempleo es un dato muy preocupante pero que el volumen de exportaciones se está incrementando de modo notable, dando un cierto equilibrio a la situación económica, que mejora lentamente. Los mercados y la competitividad mejoran a nivel general haciendo que Europa se recupere, pero hay que mantener la economía europea global y mejorar la competitividad europea en servicios y producción. Señaló que en el día de ayer, en Madrid, en la Conferencia de sindicatos, se trataron estos problemas y se insistió en la necesidad de crecimiento estructural y en la creación de puestos de trabajo. Un elevado número de empresas han cerrado en los últimos meses en Italia, Francia y España perdiéndose muchos puestos trabajo, así que la política productiva europea debe ser potente y recuperar la competitividad apoyando el bienestar nacional. En cuanto a qué se necesita para incrementar la competitividad y crear puestos trabajo se refirió en concreto a las medidas de apoyo al i+d, a la inversión pública, pymes, educación, reforma del mercado laboral para crear empleo... La consolidación fiscal es también un tema importante. Cuando la deuda pública es del 90% se convierte en un problema, en una lastra para el crecimiento. La única alternativa es llevar a cabo una consolidación fiscal que tome en cuenta las diferencias entre los países, por ello a algunos países como España se les han puesto límites al déficit. Para recuperar la confianza hay que convencer a los mercados de la importancia y utilidad de la unión económica y monetaria. Se ha elaborado un documento (blueprint) sobre el futuro de la Unión Europea que será objeto de estudio en los próximos años. Hay que apoyar las reformas económicas de los estados miembros, ahondar en la solidaridad y en la mutualizacion de los riesgos, renunciando a parte de la soberanía para poder profundizar en la unión económica y también política, un tema difícil que ha de abordarse en breve. Sólo trabajando en equipo se recuperará la confianza y se caminará hacia el pleno empleo en todos los estados miembros.

Seguidamente tomó la palabra Laszlo Andor, Comisario Europeo de Empleo, que se refirio a la importancia del marco financiero plurianual y a la estructura del presupuesto en los próximos años. Hoy el modelo europeo se cuestiona por los problemas que han puesto en alerta a Europa, la pobreza, la inestabilidad financiera, la recesión, el desempleo y la intranquilidad social. La Comisión va a emprender toda una serie de políticas sociales y de empleo. En noviembre de 2012 se establecieron una serie de prioridades como eje de las reformas. Con una tasa de desempleo del 10,7 % en la Unión podrían producirse revueltas sociales, hay que primar el empleo juvenil y las políticas sociales. Los universitarios deben tener ofertas y posibilidades reales de trabajo en toda la Unión, un tema que se tratará durante la presidencia irlandesa. También hay que modernizar los

programas de protección social y la utilización de los instrumentos financieros, apoyando el potencial de crecimiento de la Unión Europea en sectores como el verde, tecnologías de la información y cuidado de los mayores y la salud. Los mencionados, son sectores que crecen rápidamente y que mejorarán la competitividad de la economía europea. Además hay que reformar el mercado laboral para que sea más inclusivo y dinámico, reforzar la movilidad y la realidad de un modelo laboral europeo. El desempleo estructural lleva a que más de once millones de parados europeos lo hayan estado más de un año, hay que luchar contra la marginación social y facilitar la inclusión.

Seguidamente tuvo lugar un intercambio de opiniones entre los asistentes, en el que intervino el Sr. Marini, del Senado francés, que insistió en una mayor intervención de los parlamentos nacionales en la política europea, un aspecto en el que se manifestaron de acuerdo otros intervinientes, que solicitaron a los comisarios que escuchen a los ciudadanos a través de sus parlamentos antes de adoptar las medidas europeas que se aplican indirecta o directamente en los mismos, una cuestión muy relevante. La Sra. Aurooi de la Asamblea Nacional francesa, señaló que la austeridad no puede mantenerse a perpetuidad ahogando a algunos estados y que es preciso que los parlamentos nacionales se impliquen y debatan sobre sus peculiaridades, creandose la comisión presupuestaria que se preve en el art. 13 para que los temas presupuestarios se traten entre parlamentos nacionales y parlamento europeo. El representante del parlamento lituano se quejó de la ausencia de medidas concretas y de las condiciones previas que los estados deben reunir para que las medidas puedan prosperar. La armonización fiscal, dijo, es un tema candente del que no se habla y es importante para los ciudadanos, especialmente en países como Lituania con países vecinos no comunitarios, además las UE debería dar más fondos a la investigación científica y crear más trabajo, en suma, propuso menos reuniones y más medidas concretas. El representante de la Cámara de los Lores se preguntó por el significado de un nuevo equilibrio en Europa, sobre cómo podemos compartir buenas practicas con estados que son tan diferentes en desempleo juvenil como los Países Bajos y el sur de Europa, no es algo sencillo, y sobre la burocracia señaló que hay una reglamentacion excesiva y que debe reducirse. Señaló que la Cámara de los Lores ha trabajado sobre la Union Europea y creen que la austeridad no es un enfoque adecuado pro futuro, como puede demostrar el caso de España. El Reino Unido sopesa abandonar el euro previo referendum. Señaló que él es proeuropeo pero que hay muchas cosas que son cuestionables y deberían repensarse. La representante alemana, Sra. Kudla señaló que hay completar el proceso presupuestario sin sobresaltos y de forma seria, si el Reino Unido sale del mercado interno habrá un perjuicio para Europa que hay que tener en cuenta seriamente. La idiosincracia de los países es un hecho y no puede pedirse a los países miembros que abandonen políticas fundamentales para algunos de ellos, pues sería como pedir a Alemania, por ejemplo, que abandone la política de ayuda por hijos, no podrían por lo importante que es para Alemania. La representante del Parlamento finlandés se refirió a cómo su Parlamento interviene siempre con el Gobierno en todas las medidas europeas, algo que debe suceder en todos los paises. Finalmente se refirió a la evasión fiscal y el fraude como temas a tratar en otras reuniones.

El Sr. Caldera, intervino para señalar que sufrimos una crisis de crecimiento que conlleva menos empleo y mayor deuda, y no al revés. En su opinión, la crisis se está agravando y sigue destruyendo empleo, con lo que podríamos estar dañando las posibilidades del crecimiento para el

futuro. España está tomando medidas muy difíciles y debe haber más simetría a nivel europeo para que no acabemos peor que hoy. La austeridad genera efectos dañinos y sólo el aumento de la inversión puede hacer que salgamos de la crisis con reformas productivas que animen de nuevo el crecimiento económico. Lagard, dijo, ha señalado recientemente que sin crecimiento inclusivo no podremos pagar las deudas, por ello hay que recuperar el crecimiento económico.

El Comisario Rehn agradeció todas las intervenciones y contestó a todas ellas agrupando las preguntas. Le agradeció al representante de la Cámara de los Lores, Harrison, su guiño europeo, el Reino Unido no puede quedarse fuera y Cameron no puede amenazar con abandonar la Unión Europea, sino trabajar con el resto de sus socios. Reino Unido debe ser un actor y no quedarse al margen. Sobre el sentido de pertenencia y soberanía de los estados miembros señaló que el semestre europeo tiene como objetivo implicar a los parlamentos nacionales para obtener una mayor legitimidad democrática. También el Six Pack ha reforzado la gobernanza europea. Sobre la consolidación fiscal y el impacto de los estímulos fiscales sobre el crecimiento económico dijo que hay que analizar las raíces y los desequilibrios de la crisis. Sobre el FMI y sus informes dijo que hay estudios excelentes pero que sus conclusiones no son siempre adecuadas porque desgraciadamente no hay una medida única para todos los estados y para todas las crisis y por ello la consolidación diferenciada de las finanzas públicas es hoy por hoy la medida más adecuada. Insistió en la importancia de la confianza, como ha demostrado el caso de Italia y concluyó que se congratulaba de que en este debate no se hubiera visto la fractura norte y sur, siendo necesario encontrar un equilibrio entre estabilidad y mutualizacion, pues no se puede aplicar sólo consolidación fiscal o sólo mutualizacion de la deuda. Acabó señalando que hay que reconstruir la Unión económica y monetaria y equilibrar las distintas fórmulas que tenemos para ello, para caminar hacia el crecimiento y la creación de empleo.

A las 13.00 se suspendió la reunión, momento que la delegación española aprovechó para reunirse con el Embajador permanente de España ante la Unión Europea y tratar sobre los temas del semestre europeo.

A las 15.00 horas se reanudó la sesión, con reuniones paralelas de las Comisiones de Economía y Asuntos Monetarios, a la que asistieron los señores Lanzuela, Caldera y Elorriaga, acompañados de la Letrada de la Comisión de Economía y Competitividad y de las Comisiones de Empleo y Asuntos Sociales, a la que acudió el Sr. Azpiroz acompañado por la Letrada representante permanente de las Cortes Generales ante el Parlamento Europeo.

Reunión de las Comisiones de Economía y Asuntos Monetarios

La reunión de las Comisiones de Economía y Asuntos Monetarios de los Parlamentos nacionales y del Parlamento Europeo se centró en dos temas de debate. En primer lugar "quién establece la senda para la recuperación de Europa: el semestre, la democracia y la subsidiariedad" y en segundo lugar "¿se orienta el semestre hacia la austeridad o el crecimiento?.

El primer tema de debate comenzó con las palabras de bienvenida de la Presidenta de la Comisión de Economía y Asuntos Monetarios del Parlamento Europeo, Sra. Bowles, seguida del Director adjunto del think-tank Bruegel, Guntram Wolfram y del Presidente de la Comisión Mixta de Asuntos Europeos del Oireachtas, Dominic Hannigan, que se refirieron a la importancia de incrementar la legitimidad democrática de la Unión Europea y a la gobernanza en materia económica. Destacaron la importancia de los parlamentos nacionales para legitimar las políticas económicas de la Unión. Reconocieron que la transferencia de soberanía siempre es complicada pero insistieron en la necesidad de avanzar en una Unión más fuerte que sólo puede afianzarse sobre una base democrática que implique una mayor cesión de soberanía de los estados miembros a la Unión. El Six pack, por ejemplo, entró en vigor sin que los Parlamentos nacionales se pronunciaran sobre él previamente y ésto es algo que hay que remediar. Los Parlamentos nacionales deben intervenir más a nivel multilateral y bilateral, con debates inter e intra parlamentos que son muy útiles, ya que hay que aprender unos de otros sobre el control democrático y la legitimidad, todos confiaron en que en abril se hagan propuestas concretas al respecto que inicien un nuevo camino en la Unión Europea, que saldrá sin duda alguna reforzada.

Seguidamente se abrió un intercambio de opiniones entre los parlamentarios asistentes. El representante del Senado francés FranÇois Marc señaló que el semestre europeo ha creado un espacio de debate pero insistió en que el debate Parlamento Europeo y parlamentos nacionales debe ser permanente y además la Comisión debería dar cuenta ante los países miembros de las medidas que les van a afectar previamente a su aprobación. Joachim Spatz, del Bundestag, dijo que no está seguro de cuántos ciudadanos entonarían un "viva la república europea" y que por ello no es tan fácil ceder más soberanía política y presupuestaria para Europa. El semestre europeo, en su opinión, debe ser fundamentalmente un sistema de alerta temprana y estrecha colaboración entre los estados miembros, dado que hoy en Europa sólo cabe la gobernanza plurinivel. Lord Harrison, de la Cámara de los Lores, señaló que los parlamentos nacionales deberían decidir sobre el formato de su participación, no sólo por medio de la COSAC sino también por otras vías, como videoconferencias por ejemplo, y deseó que la conferencia de abril sea un éxito real de participación de los parlamentos nacionales, como la presente reunión.

El Director adjunto del think-tank Bruegel, Guntram Wolfram, contestó a los anteriores diciendo que el mecanismo de estabilidad y el pacto fiscal son pasos intermedios pero no definitivos. Si tuviéramos una república federal europea, dijo, deberíamos seguir tomando medidas de ajuste para cada estado, ya que lo que falta es una auténtica unión bancaria y un mercado único laboral. La moneda común ha sido un gran paso pero hay que completar el proceso y converger realmente para evitar problemas presentes y futuros. La cuestión de la soberanía es muy importante, puso el ejemplo de Francia que ha perdido independencia en materia tributaria y presupuestaria, esto es evidente, y ha sido una dura limitación a la soberanía de Francia, pero para progresar y aumentar la integración presupuestaria completando la unión monetaria habrá que ceder algo más de soberanía. Sobre el presupuesto federal, señaló, con un 2 o 3 por ciento del PNB de la Unión Europea, que es bastante, se podría tener una unión monetaria que funcionara bien. En cualquier caso, insistió, como resumen, el soberano es el ciudadano y en su parlamento nacional debe haber un control democrático real de las políticas europeas.

Finalmente la Sra. Ferreira, Presidenta del Grupo de Trabajo sobre el semestre europeo y rapporteur del informe "El semestre europeo para la coordinación política, informe de crecimiento anual de 2013" , destacó la utilidad de este debate que ha resumido la difícil etapa que vive Europa y cómo debemos mirar al futuro, mirar adelante. Europa, reiteró, vive una fase difícil, tras una importante ampliación y en una globalización sin precedentes. Hemos vivido un periodo en el que el funcionamiento de la moneda única ha jugado entre socios desiguales, con desequilibrios internos y hoy debemos empezar a adoptar mecanismos europeos de decisión claros y contundentes. Es fundamental reforzar el papel de las Instituciones Europeas a la vez que las Instituciones nacionales en materia europea, pues las políticas europeas incidirán cada vez más en el ámbito nacional. Por ello, las perspectivas de crecimiento europeo deben tener como base un diálogo interno en los parlamentos nacionales y llegar a un consenso que resuelva un problema fundamental como es reforzar la legitimidad democrática.

Seguidamente se inició el segundo debate, tratándose sobre sí el semestre ampara el crecimiento o la austeridad. La Presidenta de la Comision de Economía y Asuntos Monetarios del Parlamento Europeo, Sharon Bowles, dio la palabra al Presidente del Instituto Ifo para investigación Europea, Hans- Werner Sinn. Éste comenzó señalando que plantearse si es preferible la austeridad o el crecimiento es una pregunta equivocada. El euro y los mismos tipos de interés introdujeron errores en Europa, como creer que la brecha norte- sur no se notaría, y llevó a la burbuja inmobiliaria tan patente en España, financiada por cierto con crédito exterior, a los salarios desorbitados en Italia.... Se refirió a la subida de precios en algunos países que ahora están en crisis, y que ahora son demasiado caros para ser competitivos a la vez que luchan para salir de la crisis. Que ahora esos países abaraten precios y salarios para ser competitivos no es tarea sencilla. Una reducción de salarios y precios llevó a la República de Weimar casi una guerra civil y luego a algo peor. Keynes advirtió que el reajuste y el crecimiento no pueden lograrse con programas de austeridad. Goldman Sachs ha hecho diversos estudios sobre la devaluación de precios en países como España, de hasta un 30%, pero realmente, durante la crisis, los precios no han bajado, necesitaríamos un ajuste gigantesco, que tampoco sería positivo porque llevaría a desempleo y el desempleo conlleva dolorosas reformas y pérdidas de beneficios sociales. En la eurozona no todos los países podrán hacer estos ajustes facilmente, ya que están muy alejados del equilibrio, pero hay que intentarlo. Por ejemplo, si España mantuviera los precios constantes en una década llegaría al nivel competitivo necesario, pero no es un camino fácil, la eurozona no tiene una salida fácil. O se consigue el reajuste en 10 o 15 años máximo o, en su opinión, el euro no sobrevivirá. El centro y el norte de Europa necesitan una inflacción más alta para ayudar al sur, pero esto no pasa por subir salarios, como han dicho algunas voces, sino por incrementar la demanda. El capital del norte ya no quiere ir al sur, pero hay que alentar una cierta inflación en el norte para generar superávit en el sur. En una Unión las medidas deben favorecer a todos sus integrantes con los equilibrios y ajustes que sean necesarios sobre los principios de cooperación y solidaridad.

Tras la intervención de Stefan Collignon, Profesor de Economia Política de Sant Ánna School of Advanced Studies, Pisa, se abrió un debate entre los asistentes. El eurodiputado Xavier Timbau intervino para señalar que en Europa empiezan a verse mejoras, ya no se habla de la ruptura el euro y los bancos europeos se están estabilizando, el mercado interbancario tiene liquidez. En España el desempleo es muy preocupante, dijo, creando una situación no de recesión sino de

depresión, y esta crisis tendrá consecuencias a largo plazo, en i+d, educación.... Las generaciones futuras pagarán el precio. La OCDE preve crecimiento negativo para Europa y los países europeos han optado por programas de austeridad masivos, pero no está resultando. Cuanta más restricción presupuestaria más recesión, continuó, como es el caso de España, que en 2012 emprendió medidas muy duras y en 2013 el gobierno español sólo ha reducido un 1,2% y sin embargo se ha elevado el paro exponencialmente. Esa, dijo, es la trampa de la recesión que vive España, cuanta más restricción menos trabajo. Sin duda España debe recortar la deuda pública y ganar de nuevo la confianza de los mercados para conseguir capital y empleo. En su opinión, los objetivos del recorte de la deuda pública no deben ser a corto plazo sino a medio plazo, manteniendo elevada la deuda un tiempo prudencial. Es un riesgo que debe tomarse y los estados se han de comprometer a mantener su estabilidad de modo permanente, dejando que los parlamentos nacionales sopesen los problemas e insistió, debe aplazarse la austeridad para buscar otra trayectoria de crecimiento, sin romper la sociedad, como esta sucediendo en algunos países.

El debate continuó entre los asistentes. Algunos señalaron la importancia de la coordinación económica y la inutilidad de echarse la culpa respecto a la crisis, hay modelos de laboratorio que no son lo más conveniente y hay que cooperar entre todos. Algunos insistieron en que la estrategia de austeridad de los últimos años ha llevado a Europa a una recesión que demuestra que la receta estaba equivocada. La austeridad extrema lleva a la explosión del desempleo, recesión y déficit. Hoy hacen falta objetivos realistas para todos y hay que tomarlos a medio plazo. Los expertos han evaluado los programas de ajuste aplicados en los estados miembros y la conclusión no ha sido positiva. O se reajusta el ritmo y el contexto, o tendremos una generación perdida por desempleo y fuga de cerebros. Esto sin duda aumentará la divergencia entre los estados miembros. El Sr. Elorriaga intervino para aclarar alguno de los datos sobre España puestos de manifiesto durante el debate. La evolución presupuestaria de 2012 en España, dijo, no ha arrojado desviación alguna y el gasto ha sido el previsto en 2012, con lo que el ritmo de ajuste se puede cumplir y es posible. Previsiblemente el déficit en España caerá un 1.3, por lo que no ha habido una recesión mayor de la prevista. Otros estados europeos, continuó, se están comportando peor. Las exportaciones españolas están mejorando con lo que la demanda externa ayuda a la recuperación y los ajustes internos son posibles, liberalizando los mercados y flexibilizando el mercado laboral, incidiendo en los sectores más productivos y obteniendo una respuesta positiva. El problema es el desempleo, pero es un problema también necesario para resignar recursos laborales de sectores como el inmobiliario a otras ramas más productivas. También señaló que si fueramos a implantar el euro hoy podríamos debatir cómo hacerlo, tras la experiencia adquirida, pero la moneda única se implantó con distintas bases estatales y hoy no cabe dar marcha atrás sino mirar hacia delante. Concluyó que hay que mantener el principio de austeridad en el medio plazo y ajustar la competitividad para los próximos años.

Reunión de las Comisiones de Trabajo y Asuntos sociales.

La Presidenta de la Comisión de Empleo del Parlamento europeo, Sra. Bères, introdujo los dos temas de debate, empleo juvenil e impacto social de los programas de ajuste económico en los Estados miembros en especiales dificultades.

En la primera parte de la sesión, dedicada al tema del empleo juvenil, el Sr. Kremastinos, Presidente de la Comisión de Asuntos Sociales del Parlamento griego, afirmó que una de las más nefastas consecuencias de la crisis ha sido el desempleo juvenil, en especial en Grecia, donde en el tercer trimestre de 2012 se alcanzaron los 3 millones de desempleados, con un el 23,6% de desempleo. Este fenómeno se ha visto agravado por la política de austeridad y la presión fiscal, y afecta de manera especialmente grave a los jóvenes, con más de un 50% de desempleados, y las mujeres. El Ministerio de Empleo griego acaba de publicar una comunicación con distintas iniciativas, una de ellas prevé la construcción de infraestructuras; otras se dirigen a los jóvenes. Confía en que todas ellas produzcan resultados positivos para Grecia.

A continuación, el Sr. Azpiroz, Presidente de la Comisión de Empleo del Congreso de los Diputados, agradeció al Parlamento Europeo la posibilidad de participar en este nuevo foro de relación entre el mismo y los Parlamentos nacionales, y especialmente en esta cuestión, de enorme gravedad en países como España, con un desempleo juvenil de más del 55%, 7,5 millones de jóvenes que ni trabajan ni estudian. El pasado 5 de diciembre la Comisión Europea aprobó una propuesta al Consejo sobre empleo y garantía de trabajo juvenil, a la vez que el Gobierno de España ha adoptado un paquete de medidas que contribuirán a la superación de la crisis y la creación de empleo, especialmente el juvenil. La reforma laboral ha supuesto pasar de la destrucción de empleo a una situación de mayor competitividad, en la que se han doblado los contratos firmados por trabajadores con cualificación limitada. Se trata de datos modestos en el contexto de desempleo actual, pero apuntan a un cambio de tendencia. Citó así mismo, entre otras medidas, el plan anual de política de empleo del 2012, la garantía juvenil, y las nuevas medidas de apoyo a los emprendedores. En definitiva, concluyó, las políticas de crecimiento económico deben resolver este grave problema.

A continuación la Sra. Filatov, Presidenta de la Comisión de Empleo e Igualdad del Parlamento finlandés, señaló que han calculado que el precio de un joven marginado en su vida es de un millón de euros, y expuso el sistema de garantía juvenil que se aplica en su país.

Por parte del Parlamento Europeo, la Sra. Skrzydlewska, eurodiputada polaca, presentó el informe sobre "Empleo juvenil" de la Comisión de Empleo del Parlamento Europeo, y expuso el ejemplo de Polonia; mientras que el Sr. Christensen, eurodiputado y ponente de este mismo informe, destacó que el futuro de la Unión Europea depende de los jóvenes, y la urgencia de adoptar la garantía juvenil.

A continuación, se abrió un debate entre parlamentarios europeos y nacionales, en el que intervinieron el Sr. Baker, senador holandés que señaló que el desempleo juvenil no es muy elevado en su país, pero considera que la solución sería llegar a acuerdos con los empresarios; la Sra. Conrad, miembro del Bundesrat alemán, que afirmó que las políticas de austeridad no permitirán crear empleo y consideró necesaria una mayor construcción europea; el Sr. Cercas, eurodiputado español, denunció que la garantía juvenil no es europea, ya que se deja en manos de los Estados miembros que cuentan con programas muy limitados frente al océano del paro juvenil. Frente a las consecuencias sociales de la crisis, la Unión Europea tiene que garantizar el modelo social de

mercado que establece el Tratado. Así mismo tomaron la palabra el Sr. Gerontopoulos, diputado griego, y la Sra. Schut-Weklzijn, diputada holandesa, quien se mostró en contra de la garantía juvenil, porque son las empresas las que crean puestos de trabajo, no el Estado.

El Sr. Schafer, diputado del Bundestag, denunció que una política basada solo en el ahorro no hace sino agravar los problemas.

En su réplica, el Sr. Azpiroz señaló que Europa es una realidad diversa, cada Estado miembro tiene su propia situación, por ejemplo en el País Vasco, la tasa de desempleo es un 30% más reducida que en otras partes de España. El paro juvenil en España es insostenible, y no basta con apoyarse en la economía real, como ha propuesto algún orador. Hay un margen de juego, en el cual podríamos entendernos. España está en una situación de ajuste tremendo, como conoce el Sr. Cercas, el Partido Popular está incumpliendo su programa electoral y subiendo impuestos en contra de su filosofía, porque quieren recuperar la confianza en España, y por eso están volcados en medidas que van a redundar en la creación de empleo. La crisis financiera es causa de casi todos los males actuales, como la falta de crédito, pero no de todos, la globalización y las nuevas tecnologías están modificando los trabajos.

La Sra. Bères intervino para exponer sus conclusiones, destacando la necesidad de tomar medidas para evitar el riesgo de una generación perdida y para permitir que se mantengan las pensiones de su generación.

En la segunda parte de esta reunión, dedicada al impacto social de los programas de ajuste económico en los Estados miembros en especiales dificultades, intervinieron el Sr. Canavaro, Presidente de la Comisión de Empleo del Parlamento portugués, y el Sr. Seradens, vicepresidente de la Comisión de asuntos sociales del Parlamento letón, para exponer la situación de sus respectivos Estados miembros.

La Sra. Lope Fontagné, eurodiputada española, ponente del informe "Semestre europeo para la coordinación de las políticas económicas: previsiones de crecimiento para 2013", expuso el contenido del informe, y señaló que varios Estados miembros han alcanzado ya una situación límite. Más de uno de cada 5 jóvenes está desempleado en la UE, la situación ha empeorado en 2012, y las previsiones para 2013 son pesimistas. Ante esta dramática situación, deben replantearse las políticas económicas, es necesario continuar con los programas de consolidación presupuestaria pero de una manera diferenciada, proporcional y favorable al crecimiento.

En el debate que se mantuvo a continuación intervinieron la baronesa O´Cathain, miembro de la Cámara de los Lores, quien señaló la desmotivación de los jóvenes británicos y la necesidad de que los ciudadanos y en especial las PYMEs se involucren para ofrecerles una oportunidad y enfocarles hacia la responsabilidad del trabajo. El Sr. Vieira da Silva, diputado portugués habló de la incapacidad del mercado laboral de proceder a una renovación generacional, en concreto el mercado laboral en Portugal está cerrado para los jóvenes. Recordó la Estrategia Europea de Empleo aprobada en la cumbre de 1997, y sus promesas incumplidas. El Sr. Cercas señaló que en

España, la caída y carestía del crédito frenan la actividad económica, si bien lo más grave es la destrucción de las clases medias y de la confianza en la democracia.

Las reuniones se suspendieron a las 18.30 horas del martes 29, reanudándose el miércoles 30 de enero a las 9.00 de la mañana.

Los presidentes de las Comisiones del Parlamento Europeo que celebraron reuniones con sus homólogas de los parlamentos nacionales resumieron las conclusiones de los temas tratados en las mismas.

Sharon Bowles, Presidenta de la Comisión de Economía y Asuntos Monetarios señaló que en abril en Nicosia se ahondará sobre las cuestiones planteadas y destacó la importancia de la legitimidad democrática. Recordó que los expertos de la tarde de ayer señalaron que aún estamos en crisis y que quizá los programas de austeridad no han sido acertados al sufrir de una importante falta de competitividad interna en la Unión.

El Presidente de la Comisión de Presupuestos, Lamassoure señaló que esta reunión ha sido muy importante, con participación de todos los estados miembros, y que todos los años debe haber una semana parlamentaria como la presente, igual que es sumamente importante que en los parlamentos nacionales se hable del presupuesto europeo, pues hay muchas voces distintas sobre politica agraria, fondos estructurales, de cohesión....y hay que llegar a un consenso que mire al futuro. Es interesante saber como ven los parlamentos nacionales el presupuesto europeo y se refirió al impuesto sobre transacciones financieras que podría reducir la aportación de los estados miembros. El próximo debate, concluyó debería versar sobre gastos e ingresos y poner de manifiesto claramente que país paga qué partida y cuáles aportan más que otros.

La Presidenta de la Comisión de Empleo y Asuntos Sociales, Sra. Beres se refirió a las conversaciones mantenidas sobre empleo juvenil con expertos y la puesta en común de las experiencias de empleo juvenil en los distintos estados miembros, como el sistema de garantía finlandés. La cuestión social es prioritaria y recordó que el desempleo juvenil puede tener que ver con la falta de cualificación o también con el exceso de la misma. Los estados miembros deben presentar sus planes en materia de empleo y garantizar el empleo juvenil especialmente. Se trató también sobre las consecuencias que las medidas para salir de la crisis están teniendo para el desempleo en algunos países.

A continuación intervino el Presidente del Parlamento Europeo, Sr. Schulz, que dando las gracias a todos los asistentes y remarcando la importancia de todos los temas debatidos dio la palabra al Presidente de la Comisión Europea, Sr. Barroso, que señaló que Europa está en una encrucijada y que hay que avanzar en la Unión, saliendo de la crisis actual para garantizar un futuro sostenible. Hay que cambiar la Unión, reformando los Tratados y para ello hay que contar con los parlamentos nacionales porque es la única forma de garantizar la legitimidad democrática. La zona euro está saliendo de la recesión y repuntando, y esto tiene que ver con los esfuerzos tomados que apuntan al futuro, pero hay que continuar y no bajar la guardia, la crisis social, el paro, sobre todo el juvenil, es muy preocupante, es una emergencia social en algunos estados miembros. Las

herramientas se deben tomar a nivel nacional pero a nivel europeo debe abordarse el tema. La Comisión ha creado equipos de acción para ayudar a los estados miembros y canalizar fondos estructurales como la garantía juvenil que espera que se apruebe en breve, pero es necesario continuar de cara al próximo marco financiero plurianual, que se debatirá en el próximo Consejo europeo, fomentando la inversión en los países más vulnerables. Es importante reconocer que esto no significa dinero sin más para las regiones menos prósperas, porque todos países, en una y otra medida, y en uno y otro momento, se benefician del presupuesto europeo, también los más fuertes. Algunos gobiernos hablan de fomentar el crecimiento y la inversión para luego apartarse en el momento de aprobar el marco financiero. El two pack debe ir adelante y será una nueva prueba de credibilidad. Hay que reforzar los mecanismos de solidaridad para avanzar en una unión política con un control democrático. Hay que reforzar la Unión y ese es el futuro, debe existir voluntad política y habrá que reforzar los Tratados, reforzando la democracia europea, punto donde, insistió, los parlamentos nacionales tienen un protagonismo esencial.

El presidente del Consejo Europeo,Van Rompuy, advirtió que 2013 se veía de forma más optimista para la zona euro. El euro es un proyecto que no tiene marcha atrás, dijo, aún hay países que sufren en los mercados pero en general la situación mejora. La crisis ha puesto en peligro la supervivencia de empresas y hogares y la prioridad de los últimos tres años ha sido la estabilización de la zona euro para garantizar crecimiento y empleo. Ahora se aprecia lo que hemos avanzado, teniendo en cuenta dos líneas directrices, responsabilidad y solidaridad, con el pacto fiscal que entró en vigor a principios de este mes y las reformas estructurales. Hemos avanzado en coordinación económica y en la unión bancaria para restaurar la confianza en la zona euro, y lo cierto es que aún sin la presión de la crisis era necesario emprender reformas estructurales, por el cambio demográfico, porque no puede mantenerse un déficit de dos dígitos, por muchos motivos. En su opinión habría que haber actuado antes pero la buena noticia es que se empieza a ver la luz al final del túnel, si bien aún precisamos tiempo para que comience el crecimiento de nuevo y la creación de puestos de trabajo. Esperar la recuperación no es suficiente, hay que aplicar más medidas a nivel europeo y nacional, garantizando un crecimiento económico más estructurado y competitividad frente a China y EEUU.

Finalmente, y tras unas palabras de Séan Barret, Presidente de la Cámara irlandesa de cara a su Presidencia de turno, así como un breve debate entre los asistentes, se cerró la reunión del miércoles 30 de enero.

Se acompaña a este informe listado de asistentes y documentación de la reunión.

Palacio del Congreso de los Diputados, a 22 de febrero de 2013.

La Letrada de la Comisión de Economía y Competitividad.

Biographies of the speakers

Guntram B. Wolff, Deputy Director of Bruegel

Guntram Wolff is the Deputy Director of Bruegel. His research focuses on the euro area economy and governance, on fiscal policy, global finance and Germany. He is also a member of the French prime minister's Conseil d'Analyse Economique.
He has joined Bruegel from the European Commission, where he worked on the macroeconomics of the euro area and the reform of euro area governance. Prior to joining the Commission, he was an economist at the Deutsche Bundesbank, where he coordinated the research team on fiscal policy. He also worked as an adviser to the International Monetary Fund.
He currently teaches at Université libre de Bruxelles and he serves on the advisory board of the European Studies center of Corvinus university Budapest. He holds a PhD from the University of Bonn, studied economics in Bonn, Toulouse, Pittsburgh and Passau and previously taught economics at the University of Pittsburgh. He has published numerous papers in leading academic journals. Guntram is fluent in German, English, French and has good notions of Bulgarian and Spanish. His columns and policy work are published and cited in leading international media such as the Financial Times, the New York Times, Wall Street Journal, El Pais, La Stampa, FAZ, Handelsblatt, Financial Times Deutschland, BBC, ZDF, WDR, Die Welt, CNBC and others.

Stefan Collignon, Ordinary professor of political economy at Sant'Anna School of Advanced Studies

Stefan Collignon is ordinary professor of political economy at Sant'Anna School of Advanced Studies, Pisa, since October 2007, and International Chief Economist of the Centro Europa Ricerche (CER), Roma, since July 2007. He is the founder of Euro Asia Forum at Sant'Anna school of advanced studies.
Previously, he was Centennial Professor of European Political Economy at the London School of Economics and Political Science (LSE) from January 2001 to 2005. During 2005-2007 he was Visiting Professor at Harvard University, Faculty of Arts and Sciences, Government Department and an associate of the Minda de Gunzburg Centre for European Studies at Harvard.
He has also taught at the University of Hamburg, the Institut d'Etudes Politiques in Paris and Lille, at the College of Europe in Bruges and at the Free University of Berlin (1997-2000).
Stefan Collignon has served as Deputy Director General for Europe in the Federal Ministry of Finance in Berlin 1999 - 2000. He was also member of the Supervisery Board Glunz AG (1999-2010).
Stefan Collignon was born in 1951 and received his Ph.D. and Habilitation from the Free University of Berlin. He also studied at the Institut d'Etudes Politiques (Paris), the University of Dar es Salaam, Queen Elizabeth House in Oxford and the London School of Economics. Since 1990 he has been president of the Association France-Birmanie.
He joined First National Bank in Dallas in 1975, worked with the German Volunteer Service in Tanzania (1977-1979) and was Chairman and Managing Director of Dorcas Ltd. London (1980 - 1989). From 1989 to 1998 Dr. Collignon was Director of Research and Communication at the Association for the Monetary Union of Europe (Paris).
Professor Collignon is author of numerous books on Monetary Economics, and the political economy of regional integration

Hans-Werner Sinn, President of the Ifo Institute for Economic Research

Hans-Werner Sinn is Professor of Economics and Public Finance at the University of Munich, President of the Ifo Institute, Director of the University of Munich's Center for Economic Studies, and Director of CESifo. He is a member of the Council of Economic Advisors to the German Ministry of Economics as well as former president of the International Institute of Public Finance (IIPF). Sinn holds honorary doctorate degrees of the universities of Magdeburg and Helsinki, and he has been honoured with the Maximilians Order. His fields of interest include the economics of transition, risk and insurance, natural resources, monetary trade theory and public finance. In these areas he has published more than 300 scholarly and policy articles. He has published a dozen monographs with more than 30 editions in six languages. They include titles such as Can Germany Still Be Saved?, Casino Capitalism, and The Green Paradox.

Xavier Timbeau, Director of director of the analysis and forecasting department of the Observatoire Français des Conjonctures Economiques (OFCE)

Xavier Timbeau's current position is head of Forecast and Analysis Department at the OFCE. He has experience in macro economic analysis, economic forecasts, economic modelling and applied econometrics. Recent research interest have been NAIRU estimations and prediction of inflation using different NAIRU concepts, economic outlook for eurozone, real estate market and housing chanel for monetary policy, public accounts and intangible assets such as education embodied in people. He has been working in the Stiglitz-Sen-Fitoussi commission, as a rapporteur. He is teaching macroeconomics and environmental economics at Supélec and Sciences-po.
Education : Ecole Polytechnique (1989), ENSAE (Ecole nationale de la statistique et de l'administration économique,1991), DEA, Paris I Panthéon Sorbonne (1991).

PARLEMENT EUROPEEN

Semaine parlementaire
sur le semestre européen pour la coordination des politiques économiques
Bruxelles

Réunions
- lundi 28 janvier 2013 - après-midi - (groupes politiques)
- mardi 29 janvier 2013 - 09:00 - 11:00 - salle JAN 4Q2
- mardi 29 janvier 2013 - 11:00 - 13:00 - salle JAN 4Q2
- mardi 29 janvier 2013 - 15:00 - 18:30 - salles JAN 4Q2/ PHS 3C050
- mercredi 30 janvier 2013 - 09:00 - 12:30 - salle JAN 4Q2

Réception
- mardi 29 janvier 2013 - 13:00 - 14:30 - Yehudi Menuhin

Dîner
- mardi 29 janvier 2013, 19.00 - Restaurant des membres

Lundi 28 janvier 2013

Après-midi: REUNION DES GROUPES POLITIQUES (VOIR ORDRE DU JOUR SEPARE)

Mardi 29 janvier 2013

09.00 - 11.00 SESSION PLENIERE INAUGURATIVE

09.00 - 09.15 Remarques introductives d'**Othmar Karas,** Vice-Président du Parlement européen

09.15 - 09.25 Discours d'**Olli Rehn**, Vice-Président de la Commission européenne responsable pour les Affaires Economiques et Monétaires et l'euro

09.25 - 09.35 Discours de **László Andor**, Commissaire européen responsable de l'Emploi, des Affaires sociales et de l'Inclusion

09.35 - 11.00 Echange de vues entre les membres du Parlement européen et des parlements nationaux avec les deux commissaires

11.00 - 13.00 **REUNION INTERPARLEMENTAIRE ORGANISEE PAR LA COMMISSION DES BUDGETS**

Janusz Lewandowski, Commissaire européen responsable de la programmation financière et du budget, participant en qualité d'intervenant

Le rôle du budget européen dans le soutien aux Etats membres dans la réalisation de leurs objectifs économiques tels qu'adoptés dans le cadre du Semestre européen: l'exemple de l'innovation, de la recherche et du développement.

13.00 - 14.30 **RECEPTION**

15.00 - 18.30 **REUNIONS INTERPARLEMENTAIRES EN PARALLELE**

REUNION INTERPARLEMENTAIRE ORGANISEE PAR LA COMMISSION DES AFFAIRES ECONOMIQUES ET MONETAIRES

1) Qui peut décider du chemin de la reprise en Europe ? Le Semestre, la démocratie et la subsidiarité.

2) Le Semestre est-il source d'austérité ou de croissance ?

REUNION INTERPALEMENTAIRE ORGANISEE PAR LA COMMISSION DE L'EMPLOI ET DES AFFAIRES SOCIALES

1) L'emploi des jeunes

2) L'impact social des programmes d'ajustement économique dans les Etats membres rencontrant des difficultés financières

19.00 **DINER** *dans le restaurant des membres (sur invitation uniquement)*

Discours d'ouverture de Martin Schulz, Président du Parlement européen

Discours de Peter Praet, Membre du directoire et économiste en chef de la BCE

Dîner présidé par Othmar Karas à partir de 20.00, Vice-Président du Parlement européen

Discussion entre tous les participants.

Mercredi 30 janvier 2013

09.00 - 12.30 **SESSION PLENIERE DE CLOTURE**

09.00 - 09.15 Conclusions présentées par les présidents/rapporteurs des sessions, suite aux échanges de vues lors des sessions de travail

09.15 - 09.25 Discours de **Martin Schulz,** Président du Parlement européen

09.25 - 09.35 Discours de **José Manuel Barroso**, Président de la Commission européenne

09.35 - 09.45 Discours de **Herman Van Rompuy**, Président du Conseil européen

09.45 - 09.55 Discours de **Seán Barrett**, Ceann Comhairle (Président) du Dáil irlandais

09.55 - 12.30 Echange de vues entre les membres du Parlement européen et des parlements nationaux avec les intervenants (la Commission européenne est représentée par le Vice-Président **Maroš Šefčovič**)

EUROPEAN PARLIAMENT

European Parliamentary Week
on the European Semester for Economic Policy Coordination
Brussels

Interpaliamentary Committee Meeting
organised by the Committee on Economic and Monetary Affairs (ECON)

Tuesday 29 January, 15:00 - 18:30 - (Room PHS 3C50)

DRAFT PROGRAMME as of 8.1.2013

15.00 - 16.30 **WHO GETS TO SET THE PATH FOR EUROPE'S RECOVERY? THE SEMESTER, DEMOCRACY AND SUBSIDIARITY.**

15.00 - 15.05 Opening address by **Sharon Bowles**, Chair of the ECON Committee

15.05 - 15.20 Presentation by **Guntram Wolff,** Deputy-Director of the Brussels-based think-tank Bruegel (Confirmed)

15.20 - 15.30 Introductory address by **Dominic Hannigan**, Chairman of the Joint Committee on European Affairs of the Oireachtas (Confirmed)

15.30 - 16.30 Exchange of views between Members of the European Parliament and National Parliaments with the invited speaker

16.30 - 16.45 Concluding remarks by **Elisa Ferreira**, Chair of the Working Group on the European Semester and rapporteur of the report on the "*The European Semester for Economic Policy Coordination: Annual Growth Survey 2013*" (Confirmed)

16.45 - 18.30 **IS THE SEMESTER HARD-WIRED FOR AUSTERITY OR FOR GROWTH?**

16.45 - 16.50 Opening address by **Sharon Bowles**, Chair of the ECON Committee

16.50 - 17.00 Presentation by **Hans-Werner Sinn**, President of the Ifo Institute for Economic Research (Confirmed);

17.00 - 17.10 Presentation by **Stefan Collignon**, Professor of Political Economy, Sant'Anna School of Advanced Studies, Pisa (Confirmed);

17.10 - 18.30 Exchange of views between Members of the European Parliament and National Parliaments

In developing territorial priorities for the CSF, the Territorial Agenda 2020 could provide a strategic reference point. In doing so, the aim should be to develop the understanding of, and guidance on, the role of territory in achieving Europe 2020 goals and identifying the specific contribution that different types of regions can make to the strategy's objectives. Key linkages between this agenda and Europe 2020 are illustrated below.

Table 21: Linkages between Europe 2020 and Territorial Agenda 2020

Territorial Agenda 2020 Priorities	Europe 2020 Objectives: Smart growth	Sustainable growth	Inclusive growth
Supporting polycentric development	• Investing in education • Interactions between metropolises at the EU scale • Interactions between the main national growth poles		• Services of general economic interest (sparsely populated areas)
Partnership and cooperation in urban and rural areas	• Focus on territory-bound factors (local milieus etc.)	• Compact cities (sustainable cities)	• Enlargement of local labour markets
Territorial integration in cross-border and transnational areas	• Critical mass of means through territorial cooperation • Trans-border accessibility		
Global competitiveness based on strong local economies	• Global accessibility • European accessibility • Focus on territory-bound factors (local milieus etc.) • Local innovation systems & networks	• Territorial/local related characteristics for energy production	• Revitalisation of cities
Improving territorial connectivity for individuals	• National and daily accessibility between metropolises • Accessibility to the main, and secondary, centres (and between them) • E-connectivity • Access to energy networks	• Public transport • Sustainable transport (incl. modal split & intermodal change) • Access to energy networks (macro-regional and national grids for renewable energy transmission • Renewable and local energy production	• Accessibility to the main and secondary, centres (including access to services of general economic interest) • Public transport
Connected ecological structures and cultural networks and joint risk management	• Wise management of cultural and natural assets		

Source: Böhme *et al.* (2011)

EUROPEAN PARLIAMENT

European Parliamentary Week
on the European Semester for Economic Policy Coordination
Brussels

Interparliamentary Committee Meeting
organised by the Committee on Employment and Social Affairs (EMPL)

Tuesday, 29 January 2013 - 15:00 - 18.30 - room TBC

DRAFT PROGRAMME as of 19.12.2012

15.00 - 16.45 YOUTH EMPLOYMENT

15.00 - 15.05 Opening address by **Pervenche Berès**, Chair of the EMPL Committee

15.05 - 15.20 Address by **Dimitris Kremastinos**, Chairman of the Standing Committee of Social Affairs of the Vouli Ton Ellinon and/or by **José Eugenio Azpíroz Villar**, Chairman of the Employment Committee of the Congreso de los Diputados *(TBC)*

15.20 - 15.35 Address by **Renate Csörgits**, Chairwoman of the Labour and Social Affairs Committee of the Nationalrat and by **Tarja Filatov**, Chairwoman of the Employment and Equality Committee of the Eduskunta - Riksdagen *(TBC)*

15.35 - 15.45 Address by **Joanna Katarzyna Skrzydlewska**, rapporteur on the report on Youth Employment

15.45 - 15.50 Address by **Ole Christensen**, rapporteur for opinion on the EU Youth Strategy 2010-2012

15.50 - 16.45 Exchange of views between Members of the European Parliament and National Parliaments

16.45 - 17.00 BREAK

17.00 - 18.45 SOCIAL IMPACT OF ECONOMIC ADJUSTMENT PROGRAMMES IN THE MEMBER STATES EXPERIENCING FINANCIAL DIFFICULTIES

17.00 - 17.05 Opening address by **Pervenche Berès**, Chair of the EMPL Committee

17.05 - 17.20 Address by **Andreas Fakontis**, Chairman of the Standing Committee on Labour and Social Insurance of the House of Representatives of the Republic of Cyprus and/or by **José Manuel Canavarro**, Chairman of the Committee on Social Security and Labour of the Assembleia da Republica *(TBC)*

17.20 - 17.30 Address by **Aija Barca**, Chairwoman of the Social and Employment Matters Committee of the Saeima *(TBC)*

17.30 - 17.40 Address by **Veronica Lope Fontagné**, rapporteur on the report "*The European Semester for Economic Policy Coordination: Annual Growth Survey 2013*"

17.40 - 18.30 Exchange of views between Members of the European Parliament and National Parliaments

Further recommendations to ensure that the CSF takes the territorial dimension seriously were set out in a report prepared on behalf of the Polish Presidency[71], including:

- the adoption of a cross-cutting approach that addresses the territorial dimension of all EU policies;
- a specific chapter on the territorial dimension, as was the case under the Community Strategic Guidelines;
- a specific guideline on territorial cohesion to complement the thematic guidelines on Europe 2020 identifying territorial priorities; and
- a set of territorial indicators.

Box 2: Towards a Common Strategic Framework for 'Territorial' Cohesion

- **A genuine cross-sectoral approach is required integrating all EU policies relevant for integrated regional development**, strengthening also the integrative nature of multi-fund programming.
- **A specific guideline on territorial cohesion** should be included, translating the place-based approach into a strategic framework for Cohesion Policy and underlining how the policy can contribute to achieving Territorial Agenda aims at different geographical levels. An example would be to illustrate that EU Cohesion Policy can contribute to balanced and polycentric development at the European level and at the level of macro-regions, Member States, functional regions and cross-border regions.
- **Thematic guidelines should include specific references to territorial cohesion priorities** ('territorial keys'). The analysis in the first ESPON 2013 Synthesis Report provides a good starting point for this. The CSF should also highlight how a territorial approach could strengthen the effectiveness of the Europe 2020 strategy. The 'territorial keys' presented in the report are of particular relevance, i.e. city networks, functional regions, accessibility, economic services of general interest, and territorial capacitates.
- **A chapter on the territorial dimension of Cohesion Policy** should be retained and more closely linked to territorial cohesion and to the possibility of its attainment at different geographical levels. Furthermore, such a chapter should discuss the territorial dimension and impacts of different EU policies, and how these dimensions and policies may contribute to territorial cohesion.
- The CSG examples of **indicators should be expanded in relation to the territorial priorities**. They should provide contextual information on how the territorial priorities contribute to smart, inclusive and sustainable growth. If the system of compulsory common indicators for the monitoring of Cohesion Policy performance is introduced the CSF should propose a concrete list of EU-wide territorial indicators.

Source: Böhme *et al.* (2011)

[71] Böhme *et al.* 2011.

EUROPEAN PARLIAMENT

European Semester for GROWTH& JOBS

Le semestre européen: principales étapes au niveau de l'Union européenne

1. À la fin de l'automne, la **Commission européenne** présente **l'examen annuel de la croissance** (**EAC**), qui fixe ce que la Commission considère comme les priorités de l'Union européenne pour l'année à venir, en termes de politiques économiques, budgétaires et de l'emploi, ainsi que les autres réformes destinées à stimuler la croissance et l'emploi. La Commission publie également le **rapport sur le mécanisme d'alerte** (**RMA**), qui recense les États membres affichant d'éventuels déséquilibres macroéconomiques. En outre, les **grandes orientations des politiques économiques** énoncent les priorités et les objectifs à moyen terme pour les politiques économiques nationales tandis que les **lignes directrices pour l'emploi**, sur lesquelles le Parlement est officiellement consulté, exposent les priorités et objectifs communs pour les politiques nationales de l'emploi.

2. En février, le **Parlement européen** (**PE**) se prononce sur le projet d'examen annuel de la croissance dans des résolutions spécifiques, en tenant compte également des contributions recueillies lors de la **semaine de rencontre parlementaire sur le semestre européen** avec les **parlements nationaux**, qui se tient au début de l'année (janvier - février).

3. Le **Conseil européen** définit, lors de sa réunion au printemps, l'orientation stratégique sur les priorités à poursuivre durant le cycle du semestre. Il invite formellement les États membres de l'Union à tenir compte de ces priorités lors de l'élaboration de leurs **programmes de stabilité ou de convergence** (**PSC**) et de leurs **programmes nationaux de réforme** (**PNR**), notamment les **plans nationaux pour l'emploi**.

4. En avril, les **États membres** présentent à la Commission leurs programmes nationaux de réforme et programmes de stabilité ou de convergence. Cette présentation simultanée permet de tenir compte des complémentarités et des effets d'entraînement entre les politiques budgétaires et les politiques structurelles.

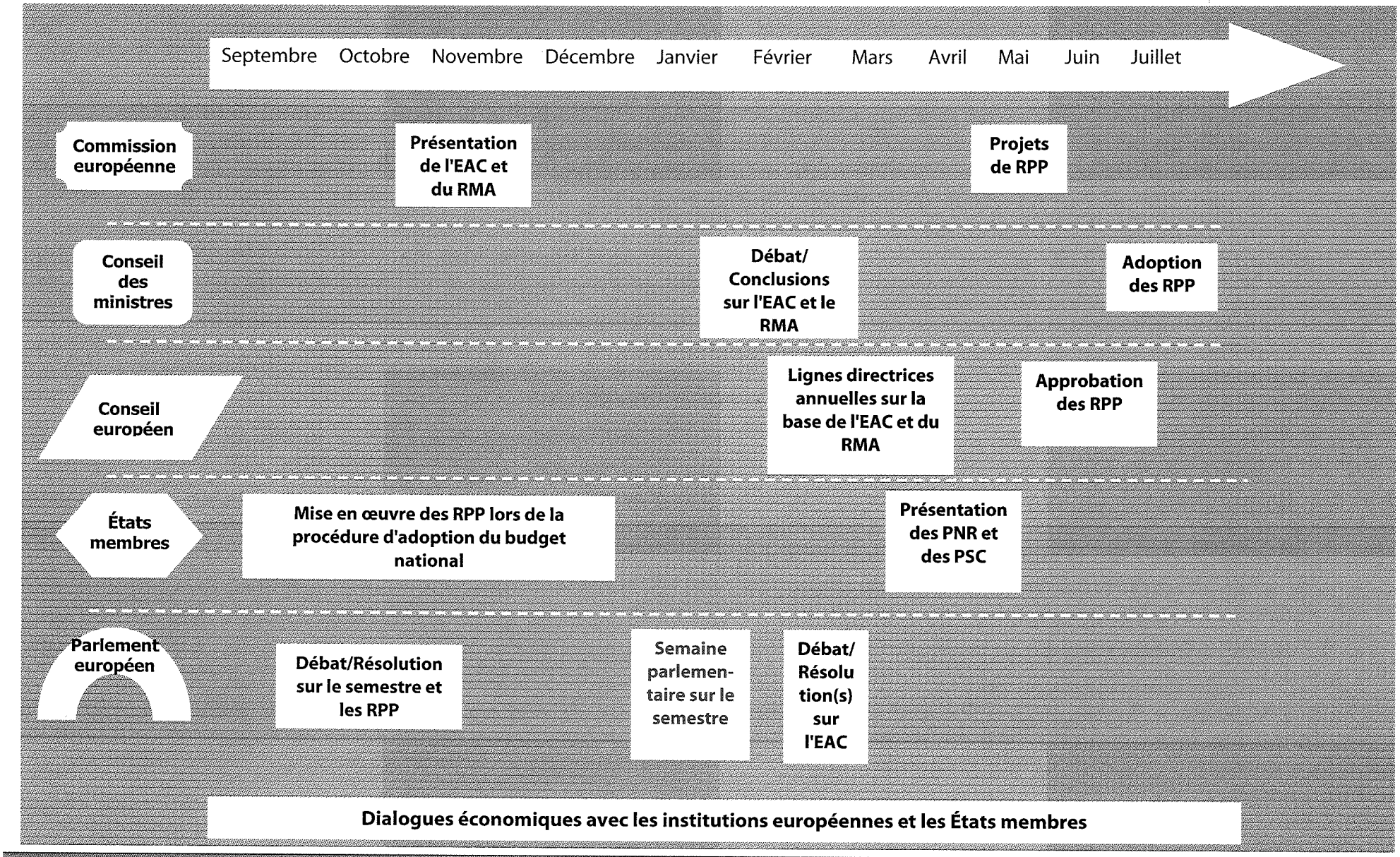
5. En mai/juin, **la Commission et le Conseil évaluent les PNR et les PSC**, ainsi que les progrès accomplis par les États membres pour atteindre les objectifs définis par la stratégie Europe 2020 et corriger les déséquilibres macroéconomiques. En se fondant sur cette évaluation, la Commission propose alors des **recommandations par pays** (**RPP**), qui font ensuite l'objet de discussions au sein des différentes formations du Conseil.

6. En juin/juillet, **le Conseil approuve les recommandations par pays**, qui sont alors officiellement adoptées par le Conseil en juillet, ce qui clôture le cycle annuel du semestre européen au niveau de l'Union.

7. À la fin de l'automne, le **PE donne son avis sur le cycle du semestre européen en cours** (notamment sur les RPP telles qu'elles ont été adoptées par le Conseil) en tenant également compte des conclusions de la réunion commune avec les présidents des commissions compétentes des parlements nationaux.

8. Tout au long de l'année le PE entretient des **dialogues économiques** et des **échanges de vues** avec les représentants des **institutions européennes concernées** (Commission, Conseil, Eurogroupe) ainsi qu'avec **les représentants des États membres** visés par une décision ou une recommandation en vertu des procédures européennes pertinentes (la mise en œuvre du pacte de stabilité et de croissance et la procédure concernant les déséquilibres macroéconomiques).

Semestre européen pour la coordination des politiques économiques: étapes et acteurs principaux



EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

Country Specific Recommendations (CSRs)

as adopted under the European Semester Cycles in 2011 and 2012

This table presents **for each Member State**:

- The Country Specific Recommendations for 2011, as adopted by the Council on 12 July 2011, and
- The Country Specific Recommendations for 2012, as adopted by the Council on 10 July 2012.

The CSR as adopted by the Council are based on the **Stability or Convergence Programmes** and the **National Reform Programmes** submitted by the Member States in April 2012 for multilateral assessment at the EU-level. The **recitals** (not included in the below table) of CSR specifies whether a specific **recommendation is linked to a particular EU policy instrument**, i.e. the preventive arm or the corrective arm of the Stability and Growth Pact and Macro-Economic Imbalances.

2012 CSR have been re-arranged in the table, when relevant, to allow an easier comparison of the topics dealt with.

egov@ep.europa.eu

BE	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Take advantage of the ongoing economic recovery to accelerate the correction of the **excessive deficit.** To this end, take the necessary specified measures — mainly on the expenditure side — by the time of the 2012 budget to achieve an average annual fiscal effort in line with the recommendations under the EDP, thus bringing the high public debt ratio on a declining path. This should bring the government deficit well below the 3 % of the GDP reference value by 2012 at the latest. Ensure progress towards the medium-term objective by at least 0.5 % of GDP annually.	**1.** Implement the budget for the year 2012 to make sure that the **excessive deficit** is corrected by 2012. Additionally, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond, thereby ensuring that the excessive deficit is corrected in a durable manner and that sufficient progress is made towards the MTO, including meeting the expenditure benchmark, and ensure progress towards compliance with the debt reduction benchmark. Adjust the fiscal framework to ensure that the budgetary targets are binding at federal and sub-federal levels, and increase transparency of burden-sharing and accountability across government layers.
	2. Take steps to improve the **long-term sustainability of public finances**. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age. Measures such as linking the statutory retirement age to life expectancy could be considered.	**2.** Continue to improve **the long-term sustainability of public finances** by curbing age-related expenditure, including health expenditure. In particular, implement the reform of pre- retirement and pension schemes and take further steps to ensure an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy.
	3. Address the structural weaknesses in the **financial sector**, in particular by finalising restructuring of the banks in need of an adequately funded and viable business model.	**3**. Stimulate capital increase of the weakest banks to underpin the strength of the **banking sector** so that it can play its normal role in lending to the economy.
	4. Take steps to reform, in consultation with the social partners and in accordance with national practice, **the system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.	**4.** To boost job creation and competitiveness, take steps to reform, in consultation with the social partners and in accordance with national practice, the **system of wage bargaining and wage indexation**. As a first step, ensure that wage growth better reflects developments in labour productivity and competitiveness, by (i) ensuring the implementation of *ex post* correction mechanisms foreseen in the 'wage norm' and promoting all-in agreements to improve cost-competitiveness and (ii) facilitating the use of opt-out clauses from sectoral collective agreements to better align wage growth and labour productivity developments at local level.
	5. Improve **participation in the labour market** by reducing the high tax and social security burden for the low-paid in a budgetary neutral way and by introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. Take steps to shift the tax burden from labour to consumption and to make the tax system more environmentally friendly. Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups.	**5**. Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on older workers and vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of **labour market** competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies. Extend existing activation efforts to all age groups.
	6. Introduce measures to **boost competition** in the retail sector, by lowering barriers to entry and reducing operational restrictions; and introduce measures to strengthen competition in the electricity and gas markets by further improving the effectiveness of the sectoral regulatory and competition authorities.	**6.** Continue to **strengthen competition** in the retail sector by lowering barriers and reducing operational restrictions. Introduce measures to strengthen competition in the network industries by revising regulatory barriers and reinforcing the institutional arrangements for effective enforcement of state aid rules.
		7. Take further measures to enhance the progress towards reaching the targets for **reducing greenhouse gas emissions** from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.

BG	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Proceed with effective budget implementation so as to correct the **excessive deficit** in 2011, in line with the Council Recommendation of 13 July 2010 under the EDP. Specify the measures underpinning the budgetary strategy for 2012-2014. Take advantage of the economic recovery to ensure adequate progress towards the medium-term objective, primarily by keeping tight control over expenditure growth, while prioritising growth-enhancing expenditure.	**1.** Continue with sound **fiscal policies** to achieve the MTO by 2012. To this end, implement the budgetary strategy as envisaged, ensuring compliance with the expenditure benchmark, and stand ready to take additional measures in case risks to the budgetary scenario materialise. Strengthen efforts to enhance the quality of public spending, particularly in the education and health sectors and implement a comprehensive tax-compliance strategy to further improve tax revenue and address the shadow economy. Further improve the contents of the **medium-term budgetary framework** and the quality of the reporting system.
	2. Take further steps to improve the predictability of **budgetary planning** and the implementation control, including on an accruals basis, in particular by strengthening fiscal governance. To this end, design and put in place binding fiscal rules and a well-defined medium-term budgetary framework that ensures transparency at all government levels.	
	3. Implement the agreed steps with social partners under the current **pension reform,** advance some of its key measures that would help to increase the effective retirement age and reduce early exit, such as through the gradual increase of the social insurance length of service, and strengthen policies to help older workers to stay longer in employment.	2. Take further steps to reduce risks to the sustainability and to improve adequacy of the **pension system** by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.
	4. Promote, in consultation with the social partners and in accordance with national practices, policies to ensure that **wage growth** better reflects developments in productivity and sustain competitiveness while paying attention to on- going convergence.	
	5. Take steps to address the challenge of **combating poverty** and promoting social inclusion, especially for vulnerable groups facing multiple barriers. Take measures for modernising public employment services to enhance their capacity to match skills profiles with labour market demand; and focusing support on young people with low skills. Advance the **educational reform** by adopting a Law on Pre-School and School Education and a new Higher Education Act by mid 2012.	**3**. Accelerate the implementation of the national Youth Employment Initiative. Ensure that the minimum thresholds for social security contributions do not discourage declared work. Step up efforts to improve the Public Employment Service's performance. To **alleviate poverty**, improve the effectiveness of social transfers and the access to quality social services for children and the elderly and implement the National Roma Integration Strategy. 4. Speed up the reform of relevant legal acts on **schools and higher education** and of accompanying measures by focusing on modernising curricula, improving teacher training, and ensuring effective access to education for disadvantaged groups. Improve the access to finance for start-ups and SMEs, in particular those involved in innovative activities.
	6. Step up efforts to **enhance administrative capacity** in key government functions and regulatory authorities, in order to make public services more effective in responding to the needs of citizens and businesses; introduce and implement effectively measures to check **public procurement** on the basis of risk assessments, strengthen the capacity of the authorities to prevent and sanction irregularities, in order to improve quality and value-for-money in the use of public funds.	5. Step up efforts to **enhance administrative capacity** and reforms by reducing red tape and the cost of tax compliance and collection, and further improving the absorption of EU funds, in particular in road and rail transport and water management. Improve the quality and independence of the judicial system and speed up the introduction of e- government. Strengthen public administrative capacity in key transport sectors and regulatory authorities. 6. Ensure sound implementation of public procurement legislation. Strengthen the prevention of irregularities and effectively apply the sanctions under the **Public Procurement** Law and those of the Law on Conflict of Interest.
	7. Abolish **barriers to entry**, guaranteed profits arrangements and price controls and	7. Take measures to remove **market barriers**, guaranteed profit arrangements and price

	ensure full independence of the Bulgarian Energy Regulator, in order to open up the electricity and gas markets to greater competition. Introduce incentives to upgrade the energy efficiency of buildings.	controls. Ensure the independence of transmission and distribution system operators; complete the market design in particular for the energy exchanges and balancing markets. Improve electricity and gas connections, boost energy efficiency and enhance the capacity to cope with disruptions.

CZ	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the planned consolidation in 2011 and take countervailing measures of a permanent nature as needed in case of any revenue shortfalls or expenditure slippages. Adopt fiscal measures as planned in the Convergence Programme for 2012 and underpin the target for 2013 by more specific measures; subject to this, avoid cutting expenditure on growth-enhancing items. Improve the efficiency of public investments, and continue efforts to exploit the available space for increases in indirect tax revenue to shift taxes away from labour, improve tax compliance, and reduce tax evasion. Ensure an average fiscal effort over the period 2010-2013 of 1 % of GDP, in line with the Council recommendations **on correcting the excessive deficit**, which will allow meeting the EDP deadline with a sufficient margin in 2013.	**1**. Ensure planned progress towards the timely **correction of the excessive deficit**. To this end, fully implement the 2012 budget and specify measures of a durable nature necessary for the year 2013 so as to achieve the annual average structural adjustment specified in the Council recommendation under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. In this context, avoid across-the- board cuts, safeguard growth-enhancing expenditure and step up efforts to improve the efficiency of public spending. Exploit the available space for increases in taxes least detrimental to growth. Shift the high level of taxation on labour to housing and environmental taxation. Reduce the discrepancies in the tax treatment of employees and the self-employed. Take measures to improve tax collection, reduce tax evasion and improve tax compliance, including by implementing the Single Collection Point for all taxes.
	2. Implement the **planned pension reform** in order to improve the long-term sustainability of public finances and to ensure the future adequacy of pensions. Additional efforts should focus on further changes to the public pillar to ensure that the system is not a source of fiscal imbalances in the future, and on the development of private savings. With a view to raising the effective retirement age, measures such as a link between the statutory retirement age and life expectancy could be considered. Ensure that the envisaged funded scheme attracts broad participation, and is designed to keep administrative costs transparent and low.	2. Introduce further changes to the **public pension scheme** to ensure its long-term sustainability. Reconsider plans to allow an earlier exit from the labour market. Promote effective participation of younger workers in the envisaged funded scheme to improve adequacy of pensions.
	3. Enhance participation in the labour market by reducing the barriers for parents with young children to re-enter the labour market through increased availability and access to affordable **childcare facilities**. Increase the attractiveness and availability of more flexible forms of working arrangements, such as part-time jobs.	**3.** Take additional measures to significantly increase the availability of affordable and quality pre-school **childcare**.
	4. Improve the performance of the **public employment service** in order to increase the quality and effectiveness of training, job search assistance and individualised services, linking funding of the programmes to results. In cooperation with stakeholders, extend tailor-made training programmes, for older workers, young people, low-skilled workers and other vulnerable groups.	**4.** Strengthen **PES** by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.
	5. Take the necessary measures to improve the **quality of public services** in areas essential for the business environment. In this context speed up the implementation of the **anti-corruption strategy** in line with the identified targets, adopt the Public Servants Act to promote stability and effectiveness of the public administration and take steps to address the issue of anonymous share holding.	**5**. Adopt and implement as a matter of urgency the Public Servants Act to promote **stability and effectiveness of the public administration** in avoiding irregularities. Ensure adequate implementation of the new Public Procurement Act. Address the issue of anonymous share holding. Ensure correct implementation of EU Funds and step up the **fight against corruption**.
	6. Establish a transparent system of **quality evaluation of academic institutions** and link it to its funding in order to improve the performance of tertiary education.	**6.** Adopt the necessary legislation to establish a transparent and clearly defined system for **quality evaluation of higher education** and research institutions. Ensure that the funding is sustainable and linked to the outcome of the quality assessment. Establish an improvement-oriented evaluation framework in compulsory education.

DK	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement fiscal consolidation measures in 2011, 2012 and 2013 and ensure an average annual fiscal effort of 0,5 % of GDP over the period 2011-2013 as planned and **correct the excessive deficit** by 2013 in line with the Council recommendation under the EDP. Thereafter ensure, as planned, an appropriate adjustment path towards the medium-term objective. Accelerate the reduction of the general government deficit if economic conditions turn out better than currently expected. **Strengthen expenditure control** by adopting binding multiannual spending ceilings for local, regional and central government which are consistent with the overall medium-term general budget targets.	**1.** Implement the budgetary strategy as envisaged, to ensure a **correction of the excessive deficit** by 2013 and achieve the annual average structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark.
	2. In order to strengthen employment and the sustainability of public finances, take further steps to increase long-term labour supply, by implementing the recently concluded reform on the voluntary early retirement **pension** (VERP) scheme, reforming the disability pension and better targeting **subsidised employment schemes** (the 'flex-job' system) towards the most vulnerable groups.	**2.** Take further steps to enhance long-term labour supply by reforming the disability **pension**, better targeting **subsidised employment schemes** (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.
	3. Speed up the implementation of reforms to improve the quality of the **education system**. Reduce drop-out rates, particularly in the vocational education sector, and increase the number of apprenticeship places available.	**3.** Implement announced measures, without delay, to improve the cost-effectiveness of the **education system**, reduce drop- out rates, in particular within vocational education, and increase the number of apprenticeships.
	4. Take steps to remove **obstacles to competition**, in particular in local services and the retail sector, by reviewing legislation on land use and opening up procurement in municipalities and regions.	**4.** Continue efforts to remove **obstacles to competition**, in particular in local services, the retail and construction sector, including by further opening the municipal and regional procurement of services to competition and ensuring that competition law sanctions have a sufficiently deterrent effect.
	5. While supporting the ongoing stabilisation of the **real-estate market** following the recent price correction, consider preventive action to strengthen the medium-term stability of the housing market and the financial system including reviewing the functioning of the mortgage and property tax systems.	**5.** Consider further preventive measures to strengthen the stability of the **housing market** and financial system in the medium term, including by taking account of the results of the ongoing study by the Ministry of Business and Growth on the distribution of assets and liabilities across households and by reviewing the property value tax system and the municipal land value tax system.

DE	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the **budgetary strategy** for the year 2012 and beyond as envisaged, thus **bringing the high public debt ratio on a downward path**, in line with the Council recommendations under the EDP. Ensure an adequate structural adjustment effort towards the medium-term objective thereafter. Complete the implementation of the **budgetary rule at the *Länder* level** and further strengthen the corresponding monitoring and sanctioning mechanism. Maintain a growth-friendly consolidation course, in particular by safeguarding adequate expenditure on education and by further enhancing the efficiency of public spending on health-care and long-term care.	1. Continue with sound fiscal policies to achieve the MTO by 2012. To this end, implement the **budgetary strategy** as envisaged, **ensuring** compliance with the expenditure benchmark as well as sufficient **progress towards compliance with the debt reduction benchmark**. Continue the growth-friendly consolidation course through additional efforts to enhance the efficiency of public spending on healthcare and long-term care, and by using untapped potential to improve the efficiency of the tax system; use available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the **implementation of the debt brake in a consistent manner across all *Länder***, ensuring timely and relevant monitoring procedures and correction mechanisms.
	2. Address the structural weaknesses in the **financial sector**, in particular by restructuring *Landesbanken* which are in need of an adequately funded viable business model.	2. Address the remaining structural weaknesses in the **financial sector**, *inter alia* by further restructuring of those *Landesbanken* which are in need of an adequately funded viable business model while avoiding excessive deleveraging.
	3. Enhance participation in the labour market by improving equitable access to education and training systems and by taking further steps to **reduce the high tax wedge** in a budgetary neutral way and improve work incentives for persons with low income perspectives. Increase the number of fulltime **childcare facilities** and all-day schools. Closely monitor the effects of recent reform measures to reduce tax disincentives for second earners and take further measures in case disincentives remain.	3. **Reduce the high tax wedge** in a budgetary neutral way, in particular for low-wage earners, and maintain appropriate activation and integration measures, in particular for the long-term unemployed. Create the conditions for wages to grow in line with productivity. Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system. Phase out the fiscal disincentives for second earners, and increase the availability of fulltime **childcare facilities** and all-day schools.
	4. Remove unjustified restrictions on certain professional services and on certain crafts. To improve **competition** in network industries, strengthen the supervisory role of the Federal Network Agency in the rail sector; and, in the context of the announced national **Energy** Concept, focus on improving the long-term cost-effectiveness of the Renewable Energy Act, ensuring the effective independence of energy production and transmission, and improving cross- border interconnections.	4. Continue efforts to keep the overall economic costs of transforming the **energy** system to a minimum, including by accelerating the expansion of the national and cross-border electricity and gas networks. Ensure that the institutional set-up guarantees effective **competition** in railway markets. Take measures to further stimulate competition in the services sectors, including professional services and certain crafts, in particular in the construction sector.

EE	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Achieve structural surplus by 2013 at the latest, while **limiting deficit in 2012** to at most 2.1 % of GDP, keeping tight control over expenditure and enhancing the efficiency of public spending.	**1.** Preserve a sound fiscal position by implementing budgetary plans as envisaged, **ensuring achievement of the MTO by 2013** at the latest, and compliance with the expenditure benchmark. Complement the planned budget rule with more binding multiannual expenditure rules within the medium-term budgetary framework, continue enhancing the efficiency of public spending and implementing measures to improve tax compliance.
	2. Take steps to **support labour demand and to reduce the risk of poverty**, by reducing the tax and social security burden in a budgetary neutral way, as well as through improving the effectiveness of active labour market policies, including by targeting measures on young people and the long-term unemployed, especially in areas of high unemployment.	**2.** Improve **incentives to work** by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. Increase the participation of the young and the long-term unemployed in the labour market.
	3. Ensure implementation of planned incentives to reduce energy intensity and **improve the energy efficiency** of the economy, targeted on the buildings and transportation sectors, including by ensuring better market functioning.	**4. Improve energy efficiency**, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste, including by considering incentives such as the taxation of vehicles. Foster renewable energy use, including through upgraded infrastructure and legislation. Continue the development of cross-border connections to end relative market isolation.
	4. While implementing the **education system** reform, give priority to measures improving the availability of pre- school education, and enhance the quality and availability of professional education. Focus education outcomes more on labour market needs, and provide opportunities for low- skilled workers to take part in lifelong learning.	**3. Link training and education more effectively** to the needs of the labour market, and enhance cooperation between businesses and academia. Increase opportunities for low-skilled workers to improve their access to lifelong learning. Foster prioritisation and internationalisation of the research and innovation systems.
		5. Enhance **fiscal sustainability of municipalities** while improving efficiency of local governments and ensure effective service provision, notably through stronger incentives for the merger of or increased cooperation between municipalities. Relevant reform proposals should be put in place within a reasonable timeframe.

IE	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	Implement the measures laid down in Implementing Decision 2011/77/EU, as amended by Implementing Decision 2011/326/EU, and further specified in the Memorandum of Understanding of 16 December 2010 and its update of 18 May 2011.	Implement the measures laid down in Implementing Decision 2011/77/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.

EL	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	Fully implement the measures laid down in the Decision 2010/320/EU, as amended by Decision 2011/257/EU, and as further specified in the Memorandum of Understanding of 3 May 2010 and its subsequent supplements, in particular the last supplement of 2 July 2011.	Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.

ES	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the budgetary strategy in 2011 and 2012 and **correct the excessive deficit** in the year 2013 in line with the Council recommendation under the EDP, ensuring the achievement of deficit targets at all levels of government, including by strictly applying the existing deficit and debt control mechanisms for regional governments; adopt further measures in case budgetary and economic developments do not turn out as expected; take any opportunity including from better economic conditions to accelerate the deficit reduction; set out concrete measures to fully underpin the targets for 2013 and 2014 which should bring the high public debt ratio on a downward path and ensure adequate progress towards the medium-term objective. Keep public expenditure growth below the rate of medium-term GDP growth, by introducing a binding expenditure rule at all levels of government, as envisaged. Further improve the provision of information in relation to regional and local government budgets and their execution.	1. Deliver an annual **average structural fiscal effort** of above 1,5 % of GDP over the period 2010-13 as required by the Council recommendation under the EDP by implementing the measures adopted in the 2012 budget and adopting the announced multiannual budget plan for 2013-14 by end July 2012. Adopt and implement measures at regional level in line with the approved rebalancing plans and strictly apply the new provisions of the Budgetary Stability Law regarding transparency and control of budget execution and continue improving the timeliness and accuracy of budgetary reporting at all levels of government. Establish an independent fiscal institution to provide analysis, advice and monitor fiscal policy. Implement reforms in the public sector to improve the efficiency and quality of public expenditure at all government levels.
	2. Adopt the proposed **pension reform** to extend the statutory retirement age and increase the number of working years for the calculation of pensions as planned; regularly review pension parameters in line with changes to life expectancy, as planned, and develop further measures to improve lifelong learning for older workers.	2. Ensure that the **retirement age** is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the Global Employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.
	3. Monitor closely the ongoing restructuring of the **financial sector**, in particular as regards savings banks, with a view to finalising it by 30 September 2011 as envisaged.	4. Implement the reform of **the financial sector**, in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a comprehensive strategy to deal effectively with the legacy assets on the banks' balance sheets, and define a clear stance on the funding and use of backstop facilities.
	4. Explore the scope for improving the efficiency of the **tax system**, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans.	3. Introduce a **taxation system** consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. Ensure less tax-induced bias towards indebtedness and homeownership (as opposed to renting).
	5. Following consultation with social partners and in accordance with national practice, complete the adoption and proceed with the implementation of a comprehensive **reform of the collective bargaining process and the wage indexation system** to ensure that wage growth better reflects productivity developments as well as local- and firm-level conditions and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.	
	6. Assess, by the end of 2011, the impacts of the **labour market reforms** of September 2010 and of the reform of active labour market policies of February 2011, accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation, and to	5. Implement the **labour market reforms** and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive

	improve employment opportunities for young people; ensure a close monitoring of the effectiveness of the measures set out in the National Reform Programme to reduce early school leaving, including through prevention policies, and facilitate the transition to vocational education and training.	policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies. 6. Review spending priorities and reallocate funds to support access to finance for small and medium-sized enterprises (SMEs), research, innovation and young people. Implement the Youth Action Plan, in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.
	7. Further open up professional services and enact the planned legislation in order to redesign the regulatory framework and **eliminate current restrictions to competition, efficiency and innovation;** implement the Law on Sustainable Economy, notably measures aimed at improving the business environment and enhancing competition in the product and service markets, at all levels of government; and improve coordination between regional and national administrations to reduce the administrative burden for enterprises.	**8.** Take additional measures to **open up professional services**, including highly regulated professions, reduce delays in obtaining business licences and eliminate barriers to doing business resulting from overlapping and multiple regulations by different levels of government. Complete the electricity and gas interconnections with neighbouring countries and address the electricity tariff deficit in a comprehensive way, in particular by improving the cost efficiency of the electricity supply chain.
		7. Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.

FR	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Ensure the recommended average annual fiscal effort of more than 1 % of GDP over the period 2010-2013 and implement the **correction of the excessive deficit by 2013**, in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path, and ensure adequate progress to the medium-term objective thereafter; specify the necessary corresponding measures for 2012 onwards, take additional measures if needed and use any windfall revenues to accelerate the deficit and debt reduction as planned; continue to review the sustainability of the **pension system** and take additional measures if needed.	**1.** Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, notably on the expenditure side, for the year 2012 and beyond to ensure a **correction of the excessive deficit by 2013** and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark. Continue to review the sustainability and adequacy of the **pension system** and take additional measures if needed.
	2. Undertake renewed efforts, in accordance with national practices of consultation with the social partners, to combat **labour market segmentation** by reviewing selected aspects of employment protection legislation while improving human capital and upward transitions; ensure that any development in the minimum wage is supportive of job creation.	**2.** Introduce further reforms to combat **labour market segmentation** by reviewing selected aspects of employment protection legislation, in consultation with the social partners in accordance with national practices, in particular related to dismissals; continue to ensure that any development in the minimum wage is supportive of job creation and competitiveness; take actions to increase adult participation in lifelong learning.
	3. Encourage access to lifelong learning in order to help maintain older workers in employment and enhance measures to support return to employment. Step up active **labour market policies** and introduce measures to improve the organisation, decision-making, and procedures of the public employment service to strengthen services and individualised support provided to those at risk of long-term unemployment.	**3.** Adopt **labour market measures** to ensure that older workers stay in employment longer; improve youth employability especially for those most at risk of unemployment, by providing for example more and better apprenticeship schemes which effectively address their needs; step up active labour market policies and ensure that public employment services are more effective in delivering individualised support.
	4. Increase the **efficiency of the tax system**, including for example through a move away from labour towards environmental and consumption taxes, and implementation of the planned reduction in the number and cost of tax and social security exemptions (including 'niches fiscales').	4. Take further steps to introduce a **more simple and balanced taxation system**, shifting the tax burden from labour to other forms of taxation that weigh less on growth and external competitiveness, in particular environmental and consumption taxes; continue efforts to reduce and streamline tax expenditures (in particular those providing incentives to indebtedness); review the effectiveness of the current reduced VAT rates in support of growth and job creation.
	5. Take further steps to **remove unjustified restrictions on regulated trades and professions**, in particular in services and the retail sector.	**5.** Pursue efforts to **remove unjustified restrictions on regulated trades and professions,** in particular in services and the retail sector; take further steps to liberalise network industries, in particular in the electricity wholesale market, develop energy interconnection capacity and facilitate the entry of new operators into the rail freight and international passenger transport sectors.

IT	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the planned fiscal consolidation in 2011 and 2012 to ensure **correction of the excessive deficit** in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path. Building on recently approved legislation, fully exploit any better-than-expected economic or budgetary developments for faster deficit and **debt reduction** and stand ready to prevent slippages in budgetary implementation. Back up the targets for 2013-2014 and the planned achievement of the medium-term objective by 2014 with concrete measures by October 2011 as provided for in the new multi-annual budgetary framework. Further strengthen the framework by introducing enforceable ceilings on expenditure and **improving monitoring across all government subsectors**.	**1.** Implement the budgetary strategy as planned, and ensure that the **excessive deficit is corrected in 2012**. Ensure the planned structural primary surpluses so as to put the **debt- to-GDP ratio on a declining path by 2013**. Ensure adequate progress towards the MTO, while meeting the expenditure benchmark and making sufficient progress towards compliance with the debt reduction benchmark. **2.** Ensure that the specification in the implementing legislation of the key features of the balanced budget rule set out in the Constitution, including appropriate **coordination across levels of government**, is consistent with the EU framework. Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011 Cohesion Action Plan leading to improving the absorption and management of EU funds, in particular in the South of Italy.
	2. Reinforce measures to **combat segmentation in the labour market**, also by reviewing selected aspects of employment protection legislation including the dismissal rules and procedures and reviewing the currently fragmented unemployment benefit system taking into account the budgetary constraints. Step up efforts to **fight undeclared work**. In addition, take steps to promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way.	**4.** Adopt the **labour market reform** as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. Monitor and if needed reinforce the implementation of the new **wage setting framework** in order to contribute to the alignment of wage growth and productivity at sector and company level.
	3. Take further steps, based on the 2009 agreement **reforming the collective bargaining framework** and in consultation with the social partners in accordance with national practices, to ensure that wage growth better reflects productivity developments as well as local and firm conditions, including clauses that could allow firm level bargaining to proceed in this direction.	
	4. Extend the process of **opening up the services sector to further competition**, including in the field of professional services. Adopt in 2011 the Annual Law on Competition, taking into account the recommendations presented by the Anti-trust Authority. Reduce the length of contract law enforcement procedures. Further strengthen actions to promote the access of SMEs to capital markets by **removing regulatory obstacles** and reducing costs.	**6.** Implement the adopted **liberalisation and simplification measures in the services sector**. Take further measures to improve market access in network industries, as well as infrastructure capacity and interconnections. Simplify further the regulatory framework for businesses and enhance administrative capacity. Improve access to financial instruments, in particular equity, to finance growing businesses and innovation. Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.
	5. Improve the framework for private sector **investment in research and innovation** by extending current fiscal incentives, improving conditions for venture capital and supporting innovative procurement schemes.	
	6. Take steps to accelerate in a cost-effective way **growth-enhancing expenditure** co-financed by cohesion policy funds in order to reduce the persistent disparities between regions, by improving administrative capacity and political governance. Respect the commitments made in the national Strategic Reference Framework in terms of the	

	amount of resources and quality of expenditure.	
		3. Take further action to **address youth unemployment**, including by improving the labour-market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to **promote labour mobility**. Take measures to **reduce tertiary education dropout rates** and fight early school leaving.
		5. Pursue the **fight against tax evasion**. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls. Take measures to reduce the scope of tax exemptions, allowances and reduced VAT rates and simplify the tax code. Take further action to shift the **tax burden away from capital and labour to property and consumption as well as environment**.

CY	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Adopt the necessary measures of a permanent nature to achieve the budgetary target in 2011 and the correction of the **excessive deficit** by 2012, in line with the Council recommendations under the EDP. Take measures to keep tight control over expenditure and make use of any better- than-expected budgetary developments for faster deficit and debt reduction. Ensure progress towards the medium-term objective by at least 0,5 % of GDP annually and bring the public debt ratio on a downward path. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanisms, as from the preparation of the 2012 budget. The programme and performance budgeting should be implemented as soon as possible.	**1.** Take additional measures to achieve a durable correction of the **excessive deficit** in 2012. Rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond to ensure the achievement of the MTO by 2014 and compliance with the expenditure benchmark and ensure sufficient progress with the debt reduction benchmark. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanism. Take measures to keep tight control over expenditure and implement programme and performance budgeting as soon as possible. Improve tax compliance and fight against tax evasion.
	2. Strengthen further the prudential framework for **supervision of banks** and cooperative credit societies to ensure early detection of risks.	**2.** Further harmonise the **supervisory and the regulatory framework for the cooperative credit societies in line with the standards applied for the commercial banks**. Strengthen regulatory provisions for the efficient recapitalisation of the financial institutions in order to limit exposure of the financial sector to external shocks.
	3. Improve the **long-term sustainability** of public finances by implementing reform measures to control pension and healthcare expenditure in order to curb the projected increase in age-related expenditure. For pensions, extend years of contribution, link retirement age with life expectancy or adopt other measures with an equivalent budgetary effect, while taking care to address the high at- risk-of-poverty rate for the elderly. For healthcare, take further steps to accelerate implementation of the **national health insurance system.**	**3.** Further improve the **long-term sustainability** and adequacy of the pensions system and address the high at-risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy. **4.** Complete and implement the **national healthcare system** without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage.
	4. Take steps to reform, in consultation with social partners and in accordance with national practices, **the system of wage bargaining and wage indexation** to ensure that wage growth better reflects developments in labour productivity and competitiveness.	**7.** Improve competitiveness, including through the **reform of the system of wage indexation,** in consultation with social partners and in line with national practices, to better reflect productivity developments. Take steps to diversify the structure of the economy. Redress the fiscal balance by restraining expenditure.
	5. Take further steps, within the reforms planned for the **vocational education and training system**, to match education outcomes to labour market needs better, including by setting up post-secondary vocational education and training institutes. Take measures to increase the effectiveness of the vocational training system by increasing the incentives for and improving access to vocational education and training, especially for low-skilled workers, women and older workers.	5. Improve the **skills of the workforce** to reinforce their occupational mobility towards activities of high growth and high value added. Take further measures to address youth unemployment, with emphasis on work placements in companies and promotion of self-employment. Take appropriate policy measures on the demand side to stimulate business innovation.
	6. Abolish **remaining obstacles to the establishment and free provision of services** in sector-specific legislation by December 2011 in order to create more opportunities for growth and jobs in the services sector.	**6.** Remove **unjustified obstacles in services markets,** in particular by improving the implementation of the Services Directive in service sectors with the most growth potential (including tourism) and by opening up the provision of professional services.
	7. Introduce measures to **increase the diversity of the energy mix and the expansion of renewable energy sources.** Establish, by 2012, a water management plan and a price- setting scheme reflecting cost efficiency and equity concerns in order to ensure more sustainable management of water resources.	

LV	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	Implement the measures laid down in Decision 2009/290/EC, as amended by Decision 2009/592/EC, and further specified in the Memorandum of Understanding of 20 January 2009 and its subsequent supplements, in particular the last supplement of 7 June 2011.	1. **Ensure planned progress towards** the timely **correction of the excessive deficit**. To this end, implement the budget for the year 2012 as envisaged and achieve the fiscal effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, **implement a budgetary strategy**, supported by sufficiently specified structural measures, for the year 2013 and beyond, to make sufficient progress towards the MTO, and to respect the expenditure benchmark. **Use better than expected cyclical revenue to reduce government debt.**
		2. Implement measures to **shift taxation away from labour** to consumption, property, and use of natural and other resources while improving the structural balance; **ensure adoption of the Fiscal Discipline Law** and develop a medium term budgetary framework law to support the long-term sustainability of public finances; **restore contributions to the mandatory funded private pension scheme at 6 % of gross wages** from 2013.
		3. Take measures to **reduce long-term and youth unemployment** by fighting early school leaving, promoting more efficient vocational education and training and its apprenticeship component, enhancing the quality, coverage and effectiveness of active labour market policy and its training component and through an effective wage subsidy scheme.
		4. Tackle high rates of poverty and social exclusion by **reforming the social assistance system** to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.
		5. Further **encourage energy efficiency** by implementing measures and providing incentives for reducing energy costs and shifting consumption towards energy-efficient products, including vehicles, buildings and heating systems. Promote competition in major energy networks and improve connectivity with EU energy networks.
		6. Take measures to **improve management and efficiency of the judiciary**, in particular to reduce the backlog and length of procedures. Take steps to improve the insolvency regime and the mediation laws.
		7. **Continue reforms in higher education**, inter alia, by implementing a new financing model that rewards quality, strengthens links with market needs and research institutions, and avoids fragmentation of budget resources. Design and implement an effective research and innovation policy encouraging companies to innovate, including via tax incentives, upgrading infrastructure and rationalising research institutions.

LT	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Adopt additional fiscal measures of a permanent nature by the time of the 2012 budget to **correct the excessive deficit** in line with the Council recommendations under the EDP. Reinforce tax compliance and take full advantage of the economic recovery to further accelerate deficit reduction and ensure progress towards the medium-term objective by at least 0,5 % of GDP annually. Strengthen the **fiscal framework,** in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.	1. Ensure planned progress towards the timely **correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, specify the measures necessary to ensure implementation of the **budgetary strategy** for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, while minimising cuts in growth-enhancing expenditure. In that respect, review and consider increasing those **taxes** that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while reinforcing tax compliance. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.
	2. Adopt the proposed implementing legislation on **Pension System Reform**. In order to enhance **participation in the labour market**, remove fiscal disincentives to work, especially for people at pensionable age.	2. Adopt legislation on a comprehensive **pension system reform.** Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures.
	3. Enhance **labour market flexibility** by amending the labour legislation to make it more flexible and to allow better use of fixed-term contracts. Amend the relevant legislation to ensure that the **social assistance system** does not contain disincentives to work.	3. Tackle high **unemployment**, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements. 4. Increase work incentives and strengthen the links between the **social assistance reform and activation measures**, in particular for the most vulnerable, to reduce poverty and social exclusion.
	4. Implement all aspects of the **State-owned enterprise reform package** by the end of 2011, ensuring a separation of ownership and regulatory functions, clear enterprise objectives, enhanced transparency and a separation of commercial and non-commercial activities.	5. Implement all aspects of the **reform package of state-owned enterprises** and in particular ensure a separation of ownership and regulatory functions and a separation of commercial and non-commercial activities. Install appropriate monitoring tools to assess the effectiveness of the reforms and ensure compliance of all state-owned enterprises with the requirements of the reform.
	5. Improve the **energy efficiency** of buildings, including through a rapid implementation of the Holding Fund, and take steps to shift taxation towards energy use.	6. Step up measures to improve the **energy efficiency** of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote **competition in energy networks** by improving interconnectivity with the Member States for both electricity and gas.
	6. Take steps to improve start-up conditions and the delivery of construction permits, and to strengthen **competition in the energy and retail sectors.**	

LU	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Take advantage of the improving cyclical conditions, strengthen the **fiscal effort** and use unexpected additional revenue in order to further reduce the headline **deficit** and reach the medium-term objective in 2012.	1. Preserve a sound fiscal position by **correcting any departure from a MTO** that ensures the long-term sustainability of public finances, in particular taking into account implicit liabilities related to ageing. To this end, reinforce and rigorously implement the **budgetary strategy**, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark.
	2. Propose and implement a broad **pension reform** to ensure the long-term sustainability of the pension system, starting with measures that will increase the participation rate of older workers, in particular by discouraging early retirement. With a view to rising the effective **retirement age**, measures such as a link between the statutory retirement age and life expectancy, could be considered.	2. Strengthen the proposed **pension reform** by taking additional measures to increase the participation rate of older workers, in particular by preventing early retirement, and by taking further steps to increase the effective **retirement age**, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.
	3. Take steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.	3. Take further steps to reform, in consultation with the social partners and in accordance with national practice, the **wage bargaining and wage indexation system,** with a view to preserve the competitiveness of the Luxembourg economy in the longer term, as a first step by maintaining the current one-year indexation.
	4. Take steps to reduce **youth unemployment** by reinforcing training and education measures aimed at better matching young people's qualifications to labour demand.	4. Continue efforts to reduce **youth unemployment** by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.
		5. Ensure that the targets for **reducing greenhouse gas emissions** from non-ETS (Emissions Trading System) activities will be met, in particular by increasing taxation on energy products.

HU	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Strengthen the fiscal effort in order to comply with the Council recommendation to **correct the excessive deficit** in a sustainable manner, inter alia by avoiding the structural deterioration in 2011 implicit in the planned 2 % of GDP budget surplus and ensure that the budget deficit is kept safely below the 3 % of GDP threshold in 2012 and beyond, contributing to the **reduction of the high public debt ratio**. Fully implement the announced fiscal measures and adopt additional measures of a permanent nature if needed at the latest in the 2012 budget to secure the budgetary target for that year. The 2012 budget should also identify the additional measures in order to attain the 2013 target in the convergence programme. Ensure progress towards the medium-term objective (MTO) by at least 0,5 % of GDP annually until the MTO is reached and use possible windfall revenues to accelerate the fiscal consolidation.	1. **Correct the excessive deficit** by 2012 in a durable manner, by implementing the 2012 budget and the subsequently approved consolidation measures, while reducing the reliance on one-off measures. Thereafter, specify all structural measures necessary to ensure a durable correction of the excessive deficit and to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark. Also to help mitigate the accumulated macroeconomic imbalances, put the public debt ratio on a firm downward path.
	2. Adopt and implement regulations specifying the operational aspects of the new constitutional **fiscal governance framework**, including, inter alia, the **numerical rules** that will be implemented at the central and local level until the debt ratio has declined to below 50 % of GDP. Regarding the fiscal framework, implement and strengthen multiannual fiscal planning, improve the transparency of public finances and broaden the remit of the **Fiscal Council.**	2. Revise the cardinal law on economic stability by putting the new **numerical rules** into a binding medium-term budgetary framework. Continue to broaden the analytical remit of the **Fiscal Council**, with a view to increasing the transparency of public finances.
	3. Enhance **participation in the labour market** by alleviating the impact of the tax reform on low earners in a budget-neutral manner. Strengthen measures to encourage women's participation in the labour market by expanding childcare and pre- school facilities.	3. Make the **taxation of labour** more employment-friendly by alleviating the impact of the 2011 and 2012 tax changes on low earners in a sustainable, budget-neutral manner, for example by shifting part of the tax burden to energy taxes and recurrent taxes on property. Strengthen measures to encourage women's **participation in the labour market**, particularly by expanding childcare and pre-school facilities.
	4. Take steps to strengthen the capacity of the **Public Employment Service** and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. Reinforce active labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low-skilled and other particularly disadvantaged groups.	4. Strengthen the capacity of the **Public Employment Service** to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.
	5. Improve the **business environment** by implementing all the measures envisaged for regulatory reform and lowering administrative burdens in the national reform programme; assess the effectiveness of current SME support policies and adjust public programmes in order to improve access to non-bank funding.	5. Implement measures envisaged to reduce the **administrative burden**. Ensure that public procurement and the legislative process support market competition and ensure a stable regulatory and **business-friendly environment** for financial and non-financial enterprises, including foreign direct investors. Reduce tax compliance costs and establish a stable, lawful and non-distortive framework for corporate taxation. Remove unjustifiable restrictions on the establishment of large-scale retail premises. Provide specific well-targeted incentive schemes to support innovative SMEs in the new innovation strategy.
		6. Prepare and implement a **national strategy on early school-leaving** by ensuring adequate financing. Ensure that the implementation of the **higher education reform** improves access

		to education for disadvantaged groups.
		7. Reform the **public transport system** to make it more cost efficient. Increase the cross-border capacities of the electricity network, ensure the independence of the **energy regulator** and gradually abolish regulated energy prices.

MT	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Ensure **correction of the excessive deficit** in 2011, in line with the EDP recommendations, standing ready to take additional measures so as to prevent possible slippages, and adopt concrete measures to back up the 2012 deficit target. **Bring the high public debt ratio on a downward path** and ensure adequate progress towards the MTO. With a view to strengthening the credibility of the medium-term consolidation strategy, define the required broad measures from 2013 onwards, embed the fiscal targets in a binding, rule-based multi-annual fiscal framework and improve the monitoring of budgetary execution.	1. Reinforce the **budgetary strategy** in 2012 with additional permanent measures so as to ensure adequate progress towards the MTO and keep the **deficit** below 3 % of GDP without recourse to one-offs. Continue fiscal consolidation at an appropriate pace thereafter, so as to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and towards compliance with the **debt reduction** benchmark, by specifying the concrete measures to back up the deficit targets from 2013, while standing ready to take additional measures in case of slippages. Implement, by end-2012 at the latest, a binding, rule-based multi-annual fiscal framework. Increase **tax** compliance and fight tax evasion, and reduce incentives towards indebtedness in corporate taxation.
	2. Take action to ensure the sustainability of the **pension system** such as by accelerating the progressive increase in the **retirement age** and by linking it to life expectancy. Accompany the higher statutory retirement age with a comprehensive active ageing strategy, discourage the use of early retirement schemes and encourage private pension savings.	2. Take action, without further delay, to ensure the long-term sustainability of the **pension system**, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory **retirement** age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and measures to encourage private pension savings. Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes.
	3. Focus **education** outcomes more on **labour market** needs, notably by making additional efforts to improve access to higher education and by strengthening the effectiveness of the vocational training system. Take further measures to reduce **early school-leaving** by identifying, analysing and measuring its causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.	3. Take steps to reduce the high rate of **early school leaving.** Pursue policy efforts in the **education system** to match the skills required by the **labour market**. Enhance the provision and affordability of more childcare and out-of-school centres, with the aim of reducing the gender employment gap.
	4. Review and take the necessary steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation** to ensure that wage growth better reflects developments in labour productivity and competitiveness.	4. Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation,** so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index.
	5. Strengthen efforts to reduce **Malta's dependence on imported oil,** by bringing forward investments in renewable energies and making full use of available EU funds to upgrade infrastructure and promote energy efficiency.	5. In order to reduce **Malta's dependence on imported oil**, step up efforts to promote energy efficiency and increase the share of energy produced from renewable sources by carefully monitoring the existing incentivising mechanisms and by prioritising the further development of infrastructure, including by completing the electricity link with Sicily.
		6. To strengthen the **banking sector**, take measures to mitigate potential risks arising from the large exposure to the real estate market. Take measures to further strengthen the provisions for loan impairment losses.

NL	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the **budgetary strategy** for the year 2012, in line with the Council recommendations on **correcting the excessive deficit, setting the high public debt ratio on a downward path**. Thereafter, progress towards the medium- term objective in line with the Stability and Growth Pact requirements, respecting the overall spending ceilings and consolidation requirements, thereby ensuring that consolidation is sustainable and growth-friendly, by protecting expenditure in areas directly relevant for growth such as research and innovation, education and training.	1. Ensure timely and durable **correction of the excessive deficit**. To this end, fully implement the **budgetary strategy** for 2012 as envisaged. Specify the measures necessary to ensure implementation of the 2013 budget with a view to ensuring the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark whilst protecting expenditure in areas directly relevant for growth such as research and innovation, education and training. To this end, **after the formation of a new Government, submit an update of the 2012 Stability Programme** with substantiated targets and measures for the period beyond 2013.
	2. Take measures to increase the statutory **retirement age** by linking it to life expectancy, and underpin these measures with others to raise the effective retirement age and to improve the long-term sustainability of public finances. Prepare a blueprint for reforming **long-term care** in view of an ageing population.	2. Take measures to increase the statutory **retirement age**, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the second **pension pillar** to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in **long-term care** and complement it with further measures to contain the increase in costs, in view of an ageing population.
	3. Enhance **participation in the labour market** by reducing fiscal disincentives for second-income earners to work and draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.	3. Enhance **participation in the labour market**, particularly of older people, women, and people with disabilities and migrants, including by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities.
	4. Promote **innovation**, private **R&D** investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy ('Naar de top').	4. Promote **innovation,** private **R&D** investment and closer science-business links, as well as foster industrial renewal by providing suitable incentives in the context of the enterprise policy, while safeguarding accessibility beyond the strict definition of top sectors and preserving fundamental research.
		5. Take steps to gradually reform the **housing market**, including by: (i) modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of imputed rents, (ii) providing for a more market-oriented pricing mechanism in the rental market, and (iii) for social housing, aligning rents with household income.

AT	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Accelerate the correction of **the excessive deficit**, which is planned mainly on the expenditure side, thus bringing the high public debt ratio on a downward path, taking advantage of the ongoing economic recovery, in order to ensure an average annual fiscal effort of 0,75 % of GDP over the period 2011-2013 in line with the Council recommendations under the EDP. To this end, adopt and implement the necessary measures, including at the subnational level. Specify measures as needed to ensure adequate progress towards the medium-term objective in line with the Stability and Growth Pact (SGP) after correction of the excessive deficit.	1. Implement the 2012 budget as envisaged and reinforce and rigorously implement the budgetary strategy for the year 2013 and beyond; sufficiently specify measures (in particular at the sub-national level), to ensure a timely correction of the **excessive deficit** and the achievement of the average annual structural adjustment effort specified in the Council Recommendations under the EDP. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark.
	2. Take steps to further strengthen the **national budgetary framework** by aligning legislative, administrative, revenue- raising and spending responsibilities across the different levels of government, in particular in the area of health care.	2. Take further steps to strengthen the **national budgetary framework** by aligning responsibilities across the federal, regional and local levels of government, in particular by implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare and education.
	3. In consultation with the social partners and according to national practices, take steps to further limit access to the current early **retirement scheme** for people with long insurance periods and take steps to reduce the transition period for harmonisation of the statutory retirement age between men and women to ensure the sustainability and adequacy of the pension system. Apply strictly the conditions for access to the invalidity pension scheme.	3. Bring forward the harmonisation of the statutory **retirement age** between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.
	4. Take measures to enhance participation in the labour market, including the following: **reduce**, in a budgetary neutral way, the effective **tax and social security burden on labour**, especially for low- and medium-income earners; implement the National Action Plan on the equal treatment of women and men in the labour market, including improvements in the availability of care services and of all-day school places to increase the options for women to work full-time and in the high gender pay gap; take steps to improve educational outcomes and **prevent school drop-out.**	4. Take steps to **reduce the effective tax and social security burden on labour** especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants. **5.** Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to **reduce drop-outs** from higher education.
	5. Take further steps to **foster competition**, in particular in the services sectors, by relaxing barriers to entry, removing unjustified restrictions on some professions, as well as enhancing the powers of the competition authority. Accelerate the adoption of the outstanding 'horizontal law' implementing the Services Directive.	6. Take further steps to **foster competition**, in the services sectors, by removing barriers to market entry in the communications, transport and energy retail markets. Where unjustified restrictions on access to liberal professions exist, they should be removed. Enhance the powers of the federal competition authority and speed up the implementation of the competition law reform.

		7. Further restructure and continue to monitor those banks that benefited from public support, while avoiding excessive deleveraging. Further improve the cooperation and coordination of national policy decisions with **financial sector** supervisors in other countries.

PL	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Implement the measures announced in the draft 2012 Budget Law and take additional measures of a permanent nature if needed to **reduce the general government deficit** to below 3 % of GDP in 2012, in line with the Council recommendations under the EDP. While ensuring adequate progress towards the medium-term objective, minimise cuts in growth-enhancing expenditure in the future.	1. Ensure planned progress towards the **correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendations under the EDP. Thereafter, specify the measures necessary to ensure implementation of the **budgetary strategy** for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. Minimise cuts in growth-enhancing expenditure in the future and improve tax compliance.
	2. Enact legislation with a view to introducing a **permanent expenditure rule** by 2013. This rule should be based on sufficiently broad budgetary aggregates and should be consistent with the European system of accounts. Moreover, take measures to strengthen the **mechanisms of coordination among the different levels of government** in the medium-term and annual budgetary processes.	2. Speed up the reform of the fiscal framework by enacting legislation with a view to introducing a **permanent expenditure rule** by 2013. This rule should be consistent with the ESA. Take measures to strengthen the **mechanisms of coordination among the different levels of government** in the medium-term and annual budgetary processes.
	3. Raise as planned the statutory **retirement age** for uniformed services, continue steps to increase the effective retirement age, such as linking it to life expectancy. Establish a timetable to further improve the rules for farmers' contributions to the **social security fund (KRUS)** to better reflect individual incomes.	4. Reinforce efforts to increase the **labour market participation of women** and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early **retirement** to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the **KRUS** to better reflect individual incomes.
	4. Implement the proposed **lifelong learning strategy**, enhance apprenticeships and dedicated vocational training and education programmes for older workers and low-skilled workers. Strengthen links between science and industry by implementing the 'We build on Knowledge' programme ('Budujemy na Wiedzy'). Implement the higher **education** reform programme 'Partnership for Knowledge' ('Partnerstwo dla Wiedzy') so as to better align educational provision with labour market needs.	3. To reduce **youth unemployment**, increase the availability of apprenticeships and work-based learning, improve the quality of vocational training and adopt the proposed **lifelong learning strategy**. Better match **education** outcomes with the needs of the labour market and improve the quality of teaching. To combat **labour market segmentation** and in-work poverty, limit excessive use of civil law contracts and extend the probationary period to permanent contracts.
	5. Increase **female labour market participation** by taking measures to ensure stable funding for pre-school child-care arrangements, to increase enrolment rates of children under three years.	4. Reinforce efforts to increase the **labour market participation of women** and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early **retirement** to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the **KRUS** to better reflect individual incomes.
	6. Take measures to improve incentives for **investment in energy generation capacity** with a view to encouraging low-carbon emitting technologies, and to further develop **cross-border electricity grid interconnections**; develop a multiannual plan for **investment in railway infrastructure** and implement the rail transport master plan.	6. Step up efforts to improve incentives for **investment in energy generation capacity** and energy efficiency in the whole energy chain, speed up the development of the **electricity grid, including cross-border interconnections**, eliminate obstacles in electricity cross border exchange, and strengthen **competition in the gas sector** by phasing out regulated prices and by creating a gas trading platform. Strengthen the role and resources of the railway

		market regulator and ensure effective and swift implementation of **railway investment** projects. Reduce restrictions on professional services and simplify contract enforcement and requirements for construction permits.
	7. Take steps to simplify **legal procedures** involved in enforcing contracts; revise construction and zoning legislation, with a view to streamlining appeal procedures and speeding up administrative procedures.	
		5. Take additional measures to ensure an **innovation-friendly business environment**, by ensuring better links between research, innovation and industry, and by establishing common priority areas and instruments supporting the whole innovation cycle; improve access to finance for research and innovation activities through guarantees and bridge financing.

PT	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.

RO	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	Implement the measures laid down in Decision 2009/459/EC as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.	Implement the measures laid down in Decision 2009/459/EC, as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.

SI	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Achieve the 2011 **deficit target**, underpin the 2012 deficit target with concrete measures and implement the necessary consolidation rigorously, standing ready to adopt additional measures to prevent possible slippages. Underpin this required adjustment process over the programme period with additional measures to ensure the average annual fiscal effort in line with the Council recommendations under the EDP and adequate progress towards an appropriate medium-term objective. To this purpose, use structural measures to contain expenditure and address identified inefficiencies and implement a more binding medium-term budgetary framework. Accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected.	1. Implement the 2012 budget, and reinforce the budgetary strategy for 2013 with sufficiently specified structural measures, standing ready to take additional measures so as to ensure a correction of the **excessive deficit** in a sustainable manner by 2013 and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards an appropriate MTO for the budgetary position, including meeting the expenditure benchmark. Strengthen the medium-term budgetary framework, including the expenditure rule, by making it more binding and transparent.
	2. Take the required steps to ensure the **long-term sustainability of the pension system**, while preserving the adequacy of pensions. Increase the employment rate of older workers through later retirement, and by further developing active labour market policies and lifelong learning measures.	2. Take urgent steps to ensure the **long-term sustainability of the pension system**, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) ensuring an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy; (iii) reducing early retirement possibilities; and (iv) reviewing the indexation system for pensions. Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.
	3. Take further measures in the **banking sector**, where appropriate, to strengthen the balance sheets and the loan portfolio, with a view of enhancing the flow of credit to the real economy.	3. Take the required steps to build sufficient capital buffers in the **banking sector** and strongly promote the cleaning of balance sheets so that appropriate lending to productive activities can resume. Obtain fully-fledged third party verification of systemically important banks' stress loan-loss estimates.
	4. Take steps, in consultation with the social partners and in accordance with national practices, to **reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts.** Renew efforts to tackle the parallel labour market resulting from 'student work'.	4. Adjust employment protection legislation as regards permanent contracts in order to reduce **labour market segmentation**, in consultation with social partners and in accordance with national practices. Further tackle the parallel labour market caused by student work.
	5. Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve the **matching of skills with labour market needs**.	5. Improve the **matching of skills with labour market demand**, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education and training.
	6. Streamline regulated professions and improve the administrative capacity of the **Competition** Protection Office, in order to enhance the business environment and attract investment.	6. Take further steps to strengthen market opening and speed up the reorganisation of professional services. Improve the business environment through: (i) implementing the reform of the **Competition** Protection Office, (ii) establishing a framework for state-owned enterprises guaranteeing arms-length management and high standards of corporate governance, and (iii) improving bankruptcy procedures, in particular in terms of timeliness and efficiency.

		7. Following consultation with social partners and in accordance with national practice, ensure that **wage growth, including minimum wage adaptation, supports competitiveness and job creation**.

SK	Country Specific Recommendation 2011	Country Specific Recommendations 2012
	1. Rigorously implement both the 2011 budget as envisaged and the planned specific measures of a permanent nature in 2012 and 2013, to **reduce the deficit** below 3 % of GDP by 2013 in line with Council recommendations on correcting the excessive deficit and ensure adequate progress towards the medium-term objective. Subject to this, safeguard growth-enhancing expenditure, and use available room to increase revenue through environmental and property taxes and by increasing the **efficiency of VAT collection**.	1. Take additional measures in 2012 and specify the necessary measures in 2013, to **correct the excessive deficit** in a sustainable manner and ensure the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Implement targeted spending cuts, while safeguarding growth-enhancing expenditure, and step up efforts to improve the efficiency of public spending. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. Accelerate the setting up of the Fiscal Council and adopt rules on expenditure ceilings. 2. Increase tax compliance, in particular by improving the **efficiency of VAT** collection; reduce distortions in taxation of labour across different employment types, also by limiting tax deductions; link real estate taxation to the market value of property; make greater use of environmental taxation.
	2. Strengthen fiscal governance by adopting in 2011 and implementing from 2012 binding multi-annual expenditure ceilings, covering the central government and the social security system. In addition, introduce an independent Fiscal Council and ensure timely publication of budgetary data at all levels of the government.	
	3. Enhance the long-term sustainability of public finances by further adjusting the pay-as-you-go pillar of the **pension system** also by changing the indexation mechanism and implement further measures with a view to raising the effective retirement age, in particular by linking the pensionable age to life expectancy. Introduce incentives to ensure the viability of the fully-funded pension pillar so as to progress towards fiscal sustainability while assuring adequate pensions.	3. Further adjust the pay-as-you-go **pension pillar**, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.
	4. Take steps to increase employment and to support labour demand for the low-skilled unemployed by reducing the **tax wedge** for low-paid workers. In addition, introduce measures to **improve the administrative capacity of public employment services** with a view to improving targeting, design and evaluation of active labour market policies, especially for the young and long-term unemployed.	4. **Enhance the administrative capacity of public employment services** with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women. Ensure the provision of childcare facilities. Reduce the **tax wedge** for low-paid workers and adapt the benefit system.
	5. Speed up the implementation of planned **general education, vocational education and training reforms** and take steps to improve the quality of higher education and its relevance to market needs. Develop a framework of incentives for both individuals and employers to encourage participation of the low-skilled in lifelong learning.	5. Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of **education and vocational training**, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation. 6. Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second-chance education and short-cycle vocational training.

	6. Ensure the implementation of planned measures aimed at a more effective application of **public procurement rules, a higher performance and transparency of the judicial system**.	7. Strengthen the quality of the public service, including by improving management of human resources and strengthening analytical capacities. Further **shorten the length of judicial proceedings and strengthen the role of the Public Procurement office** as an independent body.

FI	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Continue the fiscal consolidation using any windfall revenue to **reduce the deficit**, while taking additional measures to maintain the fiscal position above the medium-term objective, in particular through compliance with the medium-term expenditure benchmark.	1. Preserve a **sound fiscal position** in 2012 and beyond by correcting any departure from the MTO that ensures the long-term sustainability of public finances. To this end, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark. Continue to carry out annual assessments of the size of the ageing-related sustainability gap and adjust public revenue and expenditure in accordance with the long-term objectives and needs. Integrate the local government sector better in the system of multi-annual fiscal framework including through measures to control expenditure.
	2. Take further measures to **achieve productivity gains and cost savings in public service provision,** including structural changes, in order to respond to the challenges arising from population ageing.	**2.** Take further measures to **achieve productivity gains and cost savings in public service provision,** including structural changes and efficiency-enhancing territorial administrative reforms, also in order to respond to the challenges arising from an ageing population.
	3. Target active labour market measures better on the long- term unemployed and young people. **4**. Take measures to improve the employability of older workers and their participation in lifelong learning. Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age. In view of the already existing system of linking pension benefits to life expectancy, consider a link between the statutory retirement age and life expectancy.	**3**. Implement the ongoing measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on skills development. Take further steps to improve the employment rate of older workers, including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the improved life expectancy.
	5. Take further measures to **open up further the service sector,** by redesigning the regulatory framework and removing restrictions in order to facilitate new entry into service sector markets, especially in the retail sector.	4. Continue **enhancing competition in product and service markets**, especially in the retail sector, by ensuring the effective implementation of the new Competition Act and the new programme on promoting healthy competition. Continue to take measures to increase the efficiency of municipal service provision, including increasing, where appropriate, the share of services subject to competitive bidding, and to ensure competition neutrality between private and public undertakings. Take further steps to ensure that competition law fines have a sufficiently deterrent effect.
		5. In order to strengthen productivity growth and external competitiveness, continue efforts to **diversify the business structure**, in particular by hastening the introduction of planned measures to broaden the innovation base while continuing to align wage and productivity developments fully respecting the role of social partners and in line with national practices.

SE	Country Specific Recommendations 2011	Country Specific Recommendations 2012
	1. Keep **fiscal policy** on a path that ensures that the medium- term objective continues to be met.	**1**. Preserve a sound **fiscal position** in 2012 and beyond by implementing the budgetary strategy as envisaged and ensuring continued achievement of the MTO.
	2. Take preventive action to deal with the macroeconomic risks associated with rising **house prices and household indebtedness**. A broad set of measures could be considered, such as reviews of the mortgage system, including the capital requirements of banks, rent regulation, property taxation and construction permits.	**2**. Take further preventive measures to strengthen the stability of the **housing and mortgage market** in the medium term, including by fostering prudent lending, reducing the debt bias in the financing of housing investments, and tackling constraints in housing supply and rent regulations.
	3. Monitor and improve the **labour market participation** of young people and other vulnerable groups.	**3.** Take further measures to improve the **labour market participation** of youth and vulnerable groups, e.g. by improving the effectiveness of active labour market measures, facilitating the transition from school to work, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. Review the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation.
		4. Take further measures in the upcoming **research and innovation** bill to continue improving the excellence in research and to focus on improving the commercialisation of innovative products and the development of new technologies.

	while preserving overall tax revenues, in particular by lowering taxes on labour to make work pay; when reducing public expenditure, protect growth-enhancing items such as spending on research and development, education and energy efficiency; where necessary **adjust wage setting arrangements and indexation mechanisms**, in consultation with social partners and in accordance with national practices, so as to ensure that wages are evolving in line with productivity, competitiveness and the employment situation.	— together with a differentiated fiscal stance — would promote an orderly unwinding of intra-euro area macroeconomic imbalances and thus growth and jobs. This would include action at national level which reflects the country-specific situation and takes account of the Council recommendations to individual euro area Member States.
	6. Introduce further reforms to **enhance competition in service sectors**, in particular by removing unjustified restrictions on professional services, retailing and network industries.	
	7. Fully implement the commitments made in the **Euro Plus Pact** so as to enhance growth, competitiveness and employment within the area.	

AT	**Nat Council**	
BE	**House**	
	Senate	For time being there are no plans within the Belgian Senate to scrutinise the proposal.
BG		
CZ	**House**	
	Senate	Mandate to PM on 12 December 2012.
CY		No info until after elections
DK		It is most likely that there will not be a statement from the Danish Parliament.
DE	**BDT**	
	BDR	
EE		Estonian Parliament discussed this proposal on 17 October 2012 in context of 18 - 19 October Council materials. No special findings.
EL		
FI		Grand Committee, adopted an opinion on Banking Union and the Future of EMU on 13.12.2012.
FR	**AN**	
	Sénat	
HU		
IE		
IT	**Camera**	
	Senato	
LV		
LT		The Committee on European Affairs will discuss it on 6 February.
LU		
MT		No info until after elections
NL	**EK**	
	TK	

PL	**Sejm**	The EU Affairs Committee of the Sejm of the Republic of Poland will discuss the blueprint on 6 February 2013.
	Senate	
PT		
RO	**House**	
	Senate	
ES	**Congreso**	
	Senado	
SK		
SL		
SE		The committee on Finance will be scrutinising the blueprint and adopt a statement during the month of March.
UK	**HoC**	Scrutiny report adopted on 12.12.2012. Twenty-fourth Report of Session 2012–13.
	HoL	

Interparliamentary Committee Meeting
29/1/2013

Austerity and Growth

Xavier Timbeau

contact : xavier.timbeau@me.com

The Great Recession is going on

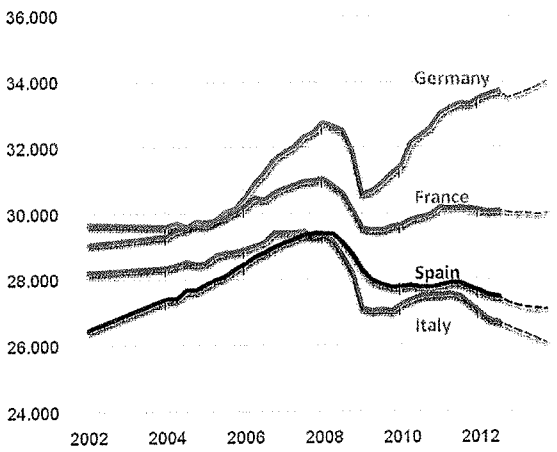
- **Despite encouraging sign on financial ground, the crisis is going on**
  - Euro banks stabilized; Spain and Italy near full financial markets access
- **The light at the end of the tunnel may be the train coming the other way**
  - No growth, unemployment, social crisis ahead, long term consequences of the slump in Europe

GDP growth forecast

GDP yearly growth	2011	2012	2013
Germany	3.1	0.8	0.6
France	1.7	0.1	0.1
Italy	0.6	-2.1	-1.5
Spain	0.4	-1.3	-1.3
Netherlands	1.1	-0.9	-0.4
Belgium	1.8	-0.2	-0.2
Ireland	1.4	-0.4	-0.4
Portugal	-1.7	-2.8	-2.2
Greece	-6.2	-6.2	-3.7
Austria	2.7	0.5	0.1
Finland	2.7	0.4	0.4
Eurozone	**1.5**	**-0.4**	**-0.3**

OFCE IMK ECLM joint forecast, iAGS 2013, nov. 2012

Euro Area: GDP per head



Memo : Commission forecasts

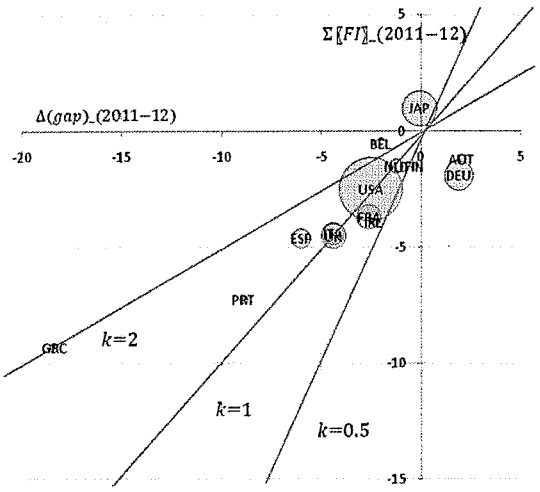
2012: -0.4%

2013: +0.1%

Fiscal multipliers in time of recession

Fiscal impulsion 2010-2013

	2010	2011	2012	2013
Germany	1.5	-0.9	-0.5	0.0
France	-0.5	-2.0	-1.6	-1.8
Italy	-0.4	-1.2	-3.2	-2.1
Spain	-2.5	-1.1	-3.4	-2.4
Netherlands	-1.1	-0.2	-1.0	-1.2
Belgium	-0.3	-0.1	-1.1	-0.8
Ireland	-4.4	-1.5	-2.4	-1.8
Portugal	-1.7	-3.7	-3.7	-1.8
Greece	-8.0	-5.3	-5.0	-3.9
Austria	0.6	-1.6	-0.1	-0.9
Finland	1.5	-1.6	-0.4	-1.3
Euro area	-0.3	-1.3	-1.7	-1.4

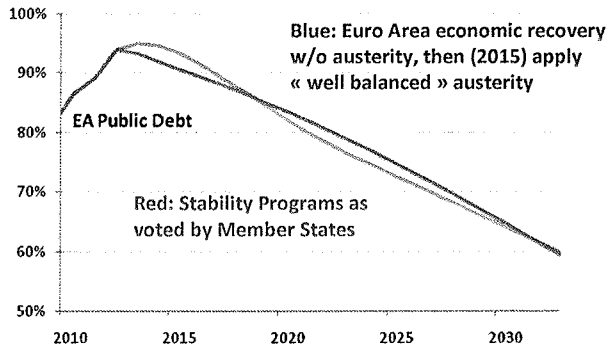


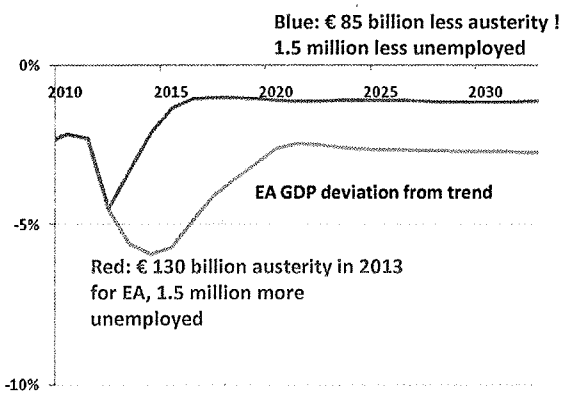
Fiscal impulsion is the opposite of the primary structural public deficit variation

- **Strongest austerity plans ever, for 3 to 4 years**
- **Due to degraded outlook, fiscal multipliers are high**
  - Low multipliers are met when economic agents are able to smooth over foreseeable future
  - Recession makes smoothing harder and costlier, future more gloomy and difficult to forecast
- **Austerity is ill-designed: it causes recession instead of curing it**

An other way is possible

- **"well balanced" austerity is the solution**
  - Waiting for better time to reduce public deficits
  - Delayed austerity would allow debt reduction to 60% GDP in most countries in 2032, with more growth and less unemployment
- **Addressing the "financial market pressure" needs a clear involvement of ECB**
  - OMT is a step, conditionality shall state delayed austerity and commitment to medium term
- **All that is compatible with existing treaties…**
- **… but in need of a strong commitment of countries to long term public finance stability**
  - Fiscal sovereignty transfer to democratic EU institutions





Have a look to iAGS 2013 report (www.iags-project.org) !

PARLAMENTO EUROPEO

Comisión de Asuntos Económicos y Monetarios

Reunión
Martes 29 de enero de 2013, de las 15.00 a las 18.30 horas
Bruselas
Sala: Paul-Henri Spaak (3C050)

PARLAMENTO EUROPEO 2009 - 2014

Comisión de Asuntos Económicos y Monetarios

ECON(2013)0129_1

PROYECTO DE ORDEN DEL DÍA

Reunión

Martes 29 de enero de 2013, de las 15.00 a las 18.30 horas

Bruselas

Sala: Paul-Henri Spaak (3C050)

1. **Aprobación del orden del día**

2. **Comunicaciones de la presidencia**

3. **Semana Parlamentaria Europea sobre el Semestre Europeo para la coordinación de las políticas económicas:**
   reunión interparlamentaria de comisiones organizada por la Comisión de Asuntos Económicos y Monetarios (ECON)
   ECON/7/11688

4. **Asuntos varios**

5. **Próxima(s) reunión(es)**
   Lunes 4 de febrero de 2013 (Estrasburgo)

3

3. Semana Parlamentaria Europea sobre el Semestre Europeo para la coordinación de las políticas económicas:
reunión interparlamentaria de comisiones organizada por la Comisión de Asuntos Económicos y Monetarios (ECON)
ECON/7/11688

EUROPEAN PARLIAMENT

European Parliamentary Week
on the European Semester for Economic Policy Coordination

Brussels

Meetings

- Monday, 28 January 2013 - afternoon - (political groups)
- Tuesday, 29 January 2013 - 09:00 - 11:00 - room JAN 4Q2
- Tuesday, 29 January 2013 - 11:00 - 13:00 - room JAN 4Q2
- Tuesday, 29 January 2013 - 15:00 - 18:30 - rooms JAN 4Q2/ PHS 3C050
- Wednesday, 30 January 2013 - 09:00 - 12:30 - room JAN 4Q2

Cocktail

- Tuesday, 29 January 2013 - 13:00 - 14:30 - Yehudi Menuhin

Dinner

- Tuesday, 29 January 2013, 19.00 - Members' Dining Room

DRAFT PROGRAMME as of 23.01.2013

Monday 28 January 2013

Afternoon: MEETINGS OF THE POLITICAL GROUPS (SEE SEPARATE AGENDAS)

Tuesday 29 January 2013

09.00 - 11.00 OPENING PLENARY SESSION

09.00 - 09.15 Opening remarks by **Othmar Karas,** Vice-President of the European Parliament

09.15 - 09.25 Address by **Olli Rehn**, European Commission Vice-President responsible for Economic and Monetary Affairs

09.25 - 09.35 Address by **László Andor**, European Commissioner for Employment, Social Affairs and Inclusion

09.35 - 11.00 Exchange of views between Members of the European Parliament and National Parliaments with the two Commissioners

11.00 - 13.00 **REUNION INTERPARLEMENTAIRE ORGANISEE PAR LA COMMISSION DES BUDGETS**

3

Janusz Lewandowski, Commissaire européen responsable de la programmation financière et du budget, participant en qualité d'intervenant

Le rôle du budget européen dans le soutien aux Etats membres dans la réalisation de leurs objectifs économiques tels qu'adoptés dans le cadre du Semestre européen: l'exemple de l'innovation, de la recherche et du développement.

13.00 - 14.30 **RECEPTION**

15.00 - 18.30 **REUNIONS INTERPARLEMENTAIRES EN PARALLELE**

REUNION INTERPARLEMENTAIRE ORGANISEE PAR LA COMMISSION DES AFFAIRES ECONOMIQUES ET MONETAIRES

1) Qui peut décider du chemin de la reprise en Europe ? Le Semestre, la démocratie et la subsidiarité.

2) Le Semestre est-il source d'austérité ou de croissance ?

REUNION INTERPALEMENTAIRE ORGANISEE PAR LA COMMISSION DE L'EMPLOI ET DES AFFAIRES SOCIALES

1) L'emploi des jeunes

2) L'impact social des programmes d'ajustement économique dans les Etats membres rencontrant des difficultés financières

19.00 **DINER** *dans le restaurant des membres (sur invitation uniquement)*

Discours d'ouverture de Martin Schulz, Président du Parlement européen

Discours de Peter Praet, Membre du directoire et économiste en chef de la BCE

Dîner présidé par Othmar Karas à partir de 20.00, Vice-Président du Parlement européen

Discussion entre tous les participants.

Mercredi 30 janvier 2013

09.00 - 12.30 **SESSION PLENIERE DE CLOTURE**

09.00 - 09.15 Conclusions présentées par les présidents/rapporteurs des sessions, suite aux échanges de vues lors des sessions de travail

09.15 - 09.25 Discours de **Martin Schulz,** Président du Parlement européen

09.25 - 09.35 Discours de **José Manuel Barroso**, Président de la Commission européenne

09.35 - 09.45 Discours de **Herman Van Rompuy**, Président du Conseil européen

09.45 - 09.55 Discours de **Seán Barrett**, Ceann Comhairle (Président) du Dáil irlandais

09.55 - 12.30 Echange de vues entre les membres du Parlement européen et des parlements nationaux avec les intervenants (la Commission européenne est représentée par le Vice-Président **Maroš Šefčovič**)

EUROPEAN PARLIAMENT

European Parliamentary Week
on the European Semester for Economic Policy Coordination
Brussels

Interpaliamentary Committee Meeting
organised by the Committee on Economic and Monetary Affairs (ECON)

Tuesday 29 January, 15:00 - 18:30 - (Room PHS 3C50)

DRAFT PROGRAMME as of 23.01.2013

15.00 - 16.30 **WHO GETS TO SET THE PATH FOR EUROPE'S RECOVERY? THE SEMESTER, DEMOCRACY AND SUBSIDIARITY.**

15.00 - 15.05 Opening address by **Sharon Bowles**, Chair of the ECON Committee

15.05 - 15.15 Presentation by **Guntram Wolff,** Deputy-Director of the Brussels-based think-tank Bruegel

15.15 - 15.25 Introductory address by **Dominic Hannigan**, Chairman of the Joint Committee on European Affairs of the Irish Parliament (*Oireachtas*)

15.25 - 16.35 Exchange of views between Members of the European Parliament and National Parliaments with the invited speaker

16.35 - 16.45 Concluding remarks by **Elisa Ferreira**, Chair of the Working Group on the European Semester and rapporteur of the report on the "*The European Semester for Economic Policy Coordination: Annual Growth Survey 2013*"

16.45 - 18.30 **IS THE SEMESTER HARD-WIRED FOR AUSTERITY OR FOR GROWTH?**

16.45 - 16.50 Opening address by **Sharon Bowles**, Chair of the ECON Committee

16.50 - 17.00 Presentation by **Hans-Werner Sinn**, President of the Ifo Institute for Economic Research

17.00 - 17.10 Presentation by **Xavier Timbeau**, director of the analysis and forecasting department of the *Observatoire Français des Conjonctures Economiques* (OFCE)

17.10 - 18.30 Exchange of views between Members of the European Parliament and National Parliaments

3

PARLEMENT EUROPEEN

Semaine parlementaire
sur le Semestre européen pour la coordination des politiques économiques
Bruxelles

Réunion interparlementaire organisée par la Commission des affaires économiques et monétaires (ECON)

Mardi 29 janvier, 15:00 - 18:30 - Bâtiment Paul-Henri Spaak salle 3C50

PROJET DE PROGRAMME arrêté au 24.01.2013

15.00 - 17.00 **QUI PEUT DECIDER DU CHEMIN DE LA REPRISE EN EUROPE ? LE SEMESTRE, LA DÉMOCRATIE ET LA SUBSIDIARITÉ.**

15.00 - 15.05 Introduction de **Sharon Bowles**, Présidente de la Commission ECON

15.05 - 15.15 Présentation de **Guntram Wolff,** Directeur adjoint au think-tank Bruegel de Bruxelles

15.15 - 15.25 Présentation de **Stefan Collignon,** Professeur à *Scuola Superiore di Studi Universitari e di Perfezionamento Sant'Anna*, Pise

15.25 - 15.35 Remarques introductives de **Dominic Hannigan**, Président de la commission conjointe des affaires européennes du parlement irlandais (*Oireachtas*)

15.35 - 16.50 Echange de vues entre les membres du Parlement européen et des parlements nationaux avec l'intervenant

16.50 - 17.00 Conclusions d'**Elisa Ferreira**, Présidente du groupe de travail sur le semestre européen et rapporteure pour le rapport sur "*le semestre européen pour la coordination des politiques économiques: examen annuel de la croissance 2013*"

17.00 - 18.30 **LE SEMESTRE EST-IL SOURCE D'AUSTERITE OU DE CROISSANCE ?**

17.00 - 17.05 Introduction de **Sharon Bowles**, Présidente de la Commission ECON

17.05 - 17.15 Présentation de **Hans-Werner Sinn**, Président de l'Institut Ifo de recherche économique

17.15 - 17.25 Présentation de **Xavier Timbeau**, directeur du département d'analyse et de prévision de l'Observatoire Français des Conjonctures Economiques (OFCE)

17.25 - 18.30 Echange de vues entre les membres du Parlement européen et des parlements nationaux

3

Eerste
Kamer der Staten-Generaal

3

Chair of the Committee on Economic and Monetary Affairs

Binnenhof 22
postbus 20017
2500 EA Den Haag

telefoon 070-312 92 00
fax 070-312 93 90

e-mail postbus@eerstekamer.nl
internet www.eerstekamer.nl

datum *21 January 2013*
betreft *European Parliamentary Week on the European Semester for Economic Policy Coordination, ECON session*

Dear Ms Bowles,

We would like to thank you for co-organising the European Parliamentary Week on the European Semester for Economic Policy Coordination and we look forward to the discussions during the interparliamentary ECON committee meeting. The standing committees for European Affairs and for Finance of the Dutch Senate have discussed the agenda of the ECON session on 15th January 2013 and would like to kindly draw your attention to the following common opinion.

The European semester 2012 was the first full European semester building on enhanced economic policy coordination. As the Presidency note of 12 December 2012, 15674/12, Lessons learned form the 2012 European Semester - Synthesis report has shown, shortcomings and areas for improvement for all actors involved can be identified. Therefore it is important that best practices are also discussed amongst national parliaments and with the European Parliament. The fundamental question of democratic oversight and democratic legitimacy of decision making at the European level in the framework of the European semester is a matter of great importance, as well as subjects as the relation between the national parliaments and the European Parliament during the European semester and the alignment of the European and national budgetary timelines. The Dutch Senate discussed the matter of democratic oversight and legitimacy extensively with the Dutch government and is also awaiting an opinion of the Council of State (Raad van State).

We would therefore politely inform you of our request for the floor during the discussions on 'Who gets to set the path for Europe's recovery? The Semester, democracy and subsidiarity' to briefly elaborate on the points raised above.

The delegation of the Dutch Senate,

Drs. P.R.H.M. van der Linden (CDA)
Jhr. mr. J.P. Backer (D66)

3

PARLIAMENT OF FINLAND

Draft
Abbreviated, unofficial translation

STATEMENT OF THE GRAND COMMITTEE 4/2012

Banking Union and the Future of EMU

To the Council of State

INTRODUCTION

Preliminary

The Speaker of Parliament sent on 3 September 2012 a government report[1] on the proposed directive on the recovery and resolution of credit institutions and investment firms (U51/2012 vp) to the Grand Committee for action and to the Commerce Committee for report to the Grand Committee.

The Speaker of Parliament sent on 12 October 2012 a government report from the on the proposed regulations on the transfer to the European Central Bank of prudential supervision of credit institutions (U 61/2012 vp) to the Grand Committee for action and to the Commerce Committee for report to the Grand Committee. The Grand Committee further sent the matter to the Constitution Committee and the Finance Committee for possible action.

On 14 September 2012 the Grand Committee received the government's statement on prudential supervision of credit institutions (E 99/2012 vp) and sent it to the Constitution Committee and the Commerce Committee for possible action and to the Finance Committee for information.

On 12 October 2012 the Grand Committee sent the government's statement on developing EMU (E 113/2012 vp) to the Constitution Committee, the Finance Committee and the Commerce Committee for possible action. On 5 December 2012 the Grand Committee received an updated government statement on this issue.

[1] The Finnish government is officially known as the Council of State. For convenience, the colloquial term "Government" will be used in the body of the translation.

3

On 12 October 2012 the Grand Committee sent the Government's statement on banking union in the context of developing EMU (E 114/2012 vp) to the Constitution Committee, the Finance Committee and the Commerce Committee for possible action.

Proposals of the European Institutions

The U- and E-matters listed above are closely related to the following proposals of the European institutions for deepening economic and monetary union during the next years:

- The European Parliament's resolution of 20 November 2012 concerning the document "Towards a genuine economic and monetary Union" by the Chairs of the European Council, the Commission and the Eurogroup and the Head of the European Central Bank.
- The European Commission's communication of 28 November 2012, "Blueprint for a deep and genuine EMU".
- The revised "Towards a genuine economic and monetary Union", published by he Chairs of the European Council, the Commission and the Euro group and the Head of the European Central Bank on 5 December 2012.
- The draft conclusions of the European Council of 13 – 14 December 2012.

Expert testimony

The committee heard the expert testimony of: *[list omitted from the translation].*

Reference data

The Commerce Committee gave a report (TaVL 43/2012 vp). The Finance Committee and the Constitution Committee issued reasoned opinions.[2]

THE GOVERNMENT'S REPORTS AND THE INSTITUTIONS' PROPOSALS

The Proposals

[Summaries omitted from the translation.]

The Government's Opinion

[2] The sector committee documents are available in Finnish only. The Finance Committee is responsible for the national budget, while the Commerce Committee is in charge of, int. al., the banking and financial sectors.

The Government affirms Finland's continuing commitment to the stability of the common currency and the development of economic and monetary union. It is too early to express an opinion on the institutions' long term proposals. Proposals should be based on member states' common understanding of deepening EMU and ensure member states' ownership of developments. No rift should be created unnecessarily between euro and non-euro member states. The central task is to rebuild confidence in commitment to common rules. Any development should be based on adequate study and adequate public debate. EMU can be developed only gradually and with an emphasis on shorter-term objectives.

The banking supervision mechanism should be created as soon as can be done without prejudice to the quality of legislation. The common crisis resolution system should ensure investor participation, uniform procedures and principles and minimising costs to the tax payer. Finalisation of the crisis resolution directive is a prerequisite for developing the EU's crisis management system. A joint deposit guarantee or fund should not be created at least at this stage.

A common banking supervisor is a necessary but not yet sufficient condition for direct capitalisation of banks out of ESM funds. Private investors should continue to bear primary responsibility for the solidity of banks. States should bear primary responsibility for the stability of their banking systems. ESM can be only an exceptional and last-resort measure. Direct capitalisation of banks by the ESM can be a useful new support mechanism provided that the banking supervision mechanism is in place first and that decisions in the ESM are made unanimously and on a case-by-case basis.

As regards fiscal union, the Government notes that proposals are stillbeing developed. Finland remains committed to strict fiscal discipline and takes a constructive approach to proposals to enhance fiscal discipline. Interventions in national budget procedures should occur only if there is a clear and present danger that a member state's public finances deviate from agreed objectives. Fiscal discipline does not require increased joint liability.

The government does not support the euro group taking on joint liability for debt, as this would reduce market pressures to balance member state's public finances, increase moral hazard and would be a violation of article 125 TFEU. The government does support exchanges of information and voluntary cooperation.

The government is prepared to consider national and temporary redemption funds that do not lead to mutual liability.

The government is prepared to consider a limited fiscal capacity that would be a more developed version of existing instruments. The government does not support using a common fiscal capacity to stabilise economic cycles; this should remain a national responsibility.

The government does not at present support a common budget for the euro group.

3

The government is prepared to study the pros and cons of contractual arrangements (CCIs), as more details emerge.

As for the democratic legitimacy of the euro zone, the government points to the primary role of national parliaments. The Commission should play a central role in the governance of the euro zone. The euro group's ability to appear jointly in international forums should be enhanced.

With respect to further developments the government underlines the importance of protecting the cohesion of the European Union and of building primarily on the current treaties.

OPINIONS OF THE GRAND COMMITTEE

Justifications

Banking resolution and supervision

The Grand Committee, in concurrence with the opinion of the Commerce Committee, agrees with the government's positive position on the proposed directive on the recovery and resolution of credit institutions and investment firms (U51/2012 vp) and the proposed regulations on the transfer to the European Central Bank of prudential supervision of credit institutions (U 61/2012 vp). The committee deems both proposals to deserve support also in view of their effects in Finland. The committee emphasises, however, that the ultimate approval of these statutes will depend on the resolution of outstanding questions of principle. These include the financing of resolution systems and the status of non-euro countries within the banking supervision system. To avoid repetition, the Grand Committee refers to the detailed positions in the Commerce Committee's report, with which the Grand Committee agrees. The Grand Committee draws particular attention to the remarks of the Constitution Committee concerning the delimitation of duties within the banking supervision structure, the status of national laws in supervision carried out by the ECB and the right of appeal within the ECB's financial supervision activites.

Developing EMU

General remarks

The Grand Committee observes that the Commission and the heads of four institutions delivered, one week before the next European Council, wide-reaching plans for developing the economic and monetary union into what is meant to be its final stage within five years. Based on publicly available drafts of the European Council's conclusions, at least the chairman of the European Council sees member states' commitment to these plans as the objective of the European Council. If implemented as such, the plans would involve an irrevocable transfer of authority from member states to the European institutions. When

read in conjunction with the economic policy statutes that have recently been implemented or soon will be implemented, the plans also involve the permanent commitment of economic policy in the Euro group and its member states to policies subject to the fiscal sustainability limits in the Stability and growth pact. According to the authors, these plans will involve treaty changes in the future.

The Grand Committee considers that it is neither possible not even necessary for the Finnish parliament to adopt a position on these plans in the time available. The committee recalls that of the measures suggested by the institutions, only those related to banking supervision and resolution are relevant to the current economic crisis. The committee agrees with the government that these immediately relevant measures should be the focus of attention now. The long-term and permanent measures can wait until they have undergone the thorough and public scrutiny they call for.

The committee notes that the institutions' proposals touch upon the foundations of Finland's sovereignty in ways that call for thorough discussion both in the Eduskunta and in society generally, before representatives of the Republic can make even tentative commitments at European meetings. The difficulty of changing the treaties, and probably the Finnish constitution, further limit the ability to make commitments at the European Council. The Grand Committee thus supports the government's position that the European Council should focus on measures that are needed now and can be agreed now, including on bank resolution and supervision.

Finland's objectives regarding the EU and EMU

The committee has been informed that the government plans to submit a general report on Finland's European policy to the parliamentary session of 2013. The committee notes that a report covering the objectives and content of our country's European policy would be an appropriate vehicle for discussing the institution's fundamental proposals. Such a report would also provide the opportunity to address the broader issue of how Finland's position in the European Union has changed gradually, through multiple decisions. In this statement, the committee can offer only some general remarks as a basis for discussion.

The committee agrees with the government that future arrangements must not be allowed to widen the rift between euro countries and non-euro EU member states. The committee reminds that one of the prime justifications for Finland joining the EU was the need to be in the same reference group as the states that are politically most important to us. Both the general influence of our country and the competitiveness of many Finnish industries call for economic policy integration to proceed at as equal a pace as possible in the states that are important to Finland.

The committee observes that the economic crisis has also had effects on the EU treaty's system of decision-making. The economic crisis has led to shifts in the Union's competences and balances of power that were not foreseen in the Lisbon treaty of 2009. At the same time, the measures in

3 the Lisbon treaty that were meant to increase democratic legitimacy have had virtually no effect. The committee considers it necessary to remind that the commitment to ever closer union of the peoples of Europe that has been made by our country and all other member states is linked to the treaty's exhaustive statement of the member states' consensus on the direction and content of European integration. The committee believes that this needs to be said when the institutions put forward plans that seem to be based on the notion of a European *"finalité politique"* that needs no further justification or discussion. The treaty makes the European Union a mutual project of the member states. The development of the Union will be decided, by amending the treaties if necessary, by the member states and peoples of Europe, who are the owners of the Union.

According to the Constitution Committee's reasoned opinion of 12 December 2012, the development of EMU is a broad, complex and multi-stage project, in the course of which the government should give its assessment of the constitutional effects of the totality of the proposals. The economic and fiscal crisis facing the euro zone has been addressed by gradual measures, making it difficult to assess the combined impact on, e.g., the Eduskunta's budgetary powers.

The committee agrees with the government that stability in the euro zone is a primary national interest, for which Finland has conscientiously fulfilled all its commitments. The committee considers, like the government, that the statutes already in force or soon to be adopted are the prime tools for overcoming the current crisis and preventing new ones, and there is no need for treaty change.

During the economic crisis, the committee has repeatedly given its support to an approach based on limiting excessive public sector deficits and debt. The committee still supports this policy. The ban on excessive deficits is in the treaty. However, current European legislation does allow for some flexibility meaning for example, that crisis countries experiencing negative growth rates can be given additional time to correct imbalances. The committee believes that the current and soon-to-be-finalised legislation is sufficient. The committee considers that we must beware of an economic policy that is so rigid and schematic that it takes into account only fiscal sustainability at the expense of all other economic policy objectives, including employment, growth and social stability.

The committee observes, like the government, that the institutions' proposal involves replacing the treaty's system of decentralised fiscal policy-making on the US model with a German-style centralised fiscal policy. The committee agrees with the government that the individual responsibility of the euro states – a consistently applied no-bailout rule – provides the best incentive for abiding by commonly agreed economic policy rules.

The government should also make an assessment of what impact on Finland the possible introduction of qualified majority voting in fiscal policy and on a common budget would have. Clearly, Finland's voice would be quite small in QMV, corresponding to our share of the euro zone's population

or economy. Introducing QMV on fiscal policy and budget issues at the Union level would be a difficult qualitative change for Finland. The committee draws to mind that, at least for the near future, Finland is financially a strong country that can cope reasonably well without any more joint liability.

Democracy and fundamental rights

The committee believes that it is not possible to examine the development of EMU exclusively on economic policy grounds. This examination calls for a much broader legal and political approach that takes into account both the effects that economic policy has on citizens and their fundamental and human rights. The examination must also take into consideration the democratic legitimacy of economic policy, the basic requirement that economic policy is based on the will of the citizens as expressed in elections and can be changed by the citizens via elections. The committee considers the institutions' proposals on this topic to be both insufficient and unbalanced.

The committee observes that solving the democracy issue is one of the most significant conditions for implementing the institutions' plans. Fiscal power, the power to tax citizens and decide on how to spend the money, has been one of the most important subjects of citizens' right to participate ever since the democratic revolutions of the eighteenth century. As long as nation states remain the prime object of citizens' allegiance, it is hard to see how budgetary power could be transferred to the Union without a loss of democratic legitimacy. The European Parliament has an important and irreplaceable role as co-legislator (with the Council) and as monitor of the Commission and the institutions subject to the Commission – both tasks within the limited mandate provided by the treaty. It is not, however, foreseeable that the Union would become such a focus of citizens' aspirations that we could talk of a European Union *"Staatsvolk"*, able to grant to the European Parliament the kind of general mandate that is held by national parliaments. The committee concludes that the principles of democracy require that member states retain their primacy in economic policy.

The committee believes it would be a mistake to overemphasize the issue of the division of powers between national parliaments and the European Parliament. Both levels should exercise power and assume the corresponding responsibility. Occasional differences are due not to parliaments' competing hungers for power, but to the insufficiently clear demarcation between national and Union competences. The European Parliament's report rightly draws attention to the emergence of "parliament-free zones", and democratic deficits in these border areas. It should, however, also be acknowledged that there are areas, such as the application of the law, where parliaments need to monitor the provision of good administration at a general level, but should refrain from attempts to influence individual decisions.

Applied to the economic union this would imply that national parliaments should each be responsible for its respective national budget. Because of their "ownership" of the budget, they should

3 also be responsible, as high organs of state, for their budgetary decisions when these lead to negotiations with or actions by the European institutions. This means that national parliaments should participate in formulating the objectives of national governments' negotiations with the European institutions and in implementing the results of these negotiations. The proper role of a national parliament is the same as the role that the Finnish parliament plays in all interaction between Finland and the EU. The role of the European Parliament is to monitor that the Commission works effectively and impartially in applying the legal norms adopted to foster economic stability. However, it would be clearly improper for the European Parliament to try and influence how European law is applied to a specific case or country.

A similar distinction applies to the democratic supervision of other activities of the European institutions, for example banking supervision or bank resolution. European law must distinguish between those tasks that are subject to the general parliamentary oversight of the administration, and those tasks that involve applying the law or the core monetary policy tasks of the ECB. The latter call for a parliamentary scrutiny that is more general in scope and respectful of the independence of the institution in question. The division of labour between national parliaments and the European Parliament would be determined in practice by which activity is to be overseen and which law, national or European applies to that activity.

The committee brings to mind that the economic crisis in some member states has had serious consequences for fundamental and human rights in these countries. The economic crisis and resultant budget cuts and austerity in some member states have impacted severely on economic, social and cultural rights. Any deepening of EMU needs to take into account that the European Social Charter is a binding legal norm for the Union and the member states. Legal norms concerning the economic union need to be drafted and applied so as to safeguard the economic, social and cultural rights guaranteed by the treaty.

The report of the four institution heads deals rather superficially with the democratic legitimacy of economic policy decision-making. As a national parliament, our attention is drawn to the statement that the principle of keeping democratic surveillance at the same level as decision-making implies participation by the European Parliament, while maintaining the central role of national parliaments. The report recognises the central role of national parliaments in adopting national budgets, but suggests that national parliaments might not be best placed to consider fully the common interest of the Union. The report makes reference, no doubt as a solution, to article 13 of the Fiscal Compact and to the mechanisms in Protocol 1 of the Lisbon Treaty. These mechanisms are joint conferences of the European Parliament and national parliaments.

Like the government, the Grand Committee has no problem with developing forms of cooperation among parliaments in the EU. The committee does, however, consider it important to point

out that no parliamentary conference is in itself capable of providing democratic scrutiny or legitimacy. The European Parliament and national parliaments are not able to farm out their constitutional duties to a conference. A conference that gathers for short periods at long intervals can only scrutinize policy by hearing *ex-post* reports and exchanging information among participants. The core part of parliamentary work, the thorough examination and public discussion of issues to be decided, is practically impossible in a conference situation. In view of the debate on the role of parliaments in certain member states, it is also necessary to emphasise that the notion of a "joint position of parliaments" has no foundation in reality. Parliaments do not take a particular position because they are parliaments. National parliaments look to the national interest and the European Parliament to the European interest. At both levels, there are differences between political groups; the position of any parliament is the outcome of discussion, compromise and voting. Conferences offer participants useful support in their work in their home parliament. No conference can replace the work done in parliaments.

The committee notes that no treaty provision or statute is needed to establish an inter-parliamentary conference, as such conferences in no way exercise public power. The committee considers it important that the mistake made in adopting article 13 of the Fiscal Compact is not repeated. It is dangerous for democracy to adopt quasi-democratic rules that offer the appearance but not the reality of democratic legitimacy. The European Parliament and each national parliament have the ability to influence economic policy using their existing competences. The arrangement in article 13 Fiscal Compact is weaker than the existing competences of the EP and most national parliaments.

The committee observes that the Finnish Eduskunta's role in European economic policy will be determined – irrespective of what may be decided at the European level – by the provisions of the Finnish constitution, which guarantee the Eduskunta the powers of supreme organ of state also in respect of EU policy formulation. The committee would like to revive in this context its proposal from the time of the constitutional convention: The influence of national parliaments in the EU could usefully be guaranteed by a code of conduct obliging each member state to give an assurance that its national parliament has been involved, in accordance with national constitutional requirements, in forming the positions that the member state represents in the Council. The committee holds this proposal to be still valuable and more pertinent than ever.

The committee considers that respect for the treaty is a minimum requirement for the EU's democratic legitimacy. Developing EMU must be based on respect for the treaty and European law generally. The treaty and the Union's legislation have been adopted in a fundamentally democratic procedure. The measures taken to control the economic crisis leave something to be desired in this respect, as regular procedures have been waived and serious doubts have been voiced about whether these measures are consistent with the treaty.

3

Finally, the committee wishes to point out that democracy also requires that the principles of transparency and public access to documents are realised in the development of EMU. The committee refers in particular to recurring problems due to the European institutions' bias against applying the so-called transparency regulation in a spirit of enhancing fundamental rights.

The committee considers that plans for developing EMU need to be debated publicly in the context of a broader civic discourse.

The committee notes that Finnish transparency practices have proved themselves also in the economic crisis. The committee expects to receive, also in future, all the information it requires. In Finland, it is the Grand Committee that bears responsibility, also in respect of issues that have to be declared secret owing to compelling reasons of national interest.

The institutional framework of EMU

The institutions' proposals assume that the management and supervisory tasks of the future economic union should be undertaken by the Commission and a Treasury within the Commission. The Committee acknowledges that any institutional discussion would be premature at a time when the economic union itself is hardly a commonly agreed objective. The committee would, however, draw attention to the difficulty of the institutional issue. The Commission is to carry on in its current role as impartial promoter of all member states' interests, and also to be accountable for the results of economic policy in the euro zone. The conflict of interest would seem to be obvious.

The committee also considers it important to raise the issue of the Commission's and the European civil service's capacity to carry out economic policy tasks creditably. Events leading to and during the economic crisis (e.g., the partial mishandling of the bank stress tests, the quality of analysis and legislative drafting) at least invite the question, will the Commission be able to recruit the expertise necessary for an economic union is less than five years. This question also has a bearing on citizens' readiness to give new tasks to the Commission and on the markets' inclination to trust the Commission's economic policies.

The Liikanen report

The committee agrees with the government that the report on the structure of the EU's banking sector and on creating a stable and efficient banking system, prepared by a working group headed by the Governor of the Bank of Finland, Erkki Liikanen, should be added to the list of measures to be taken to stabilise the economy in the immediate future. In particular, the committee identifies the following working group recommendations as important and urgent: Proprietary and other high risk trading should be separated from other functions within banking groups. Banks should be obliged to maintain acceptable revival and

resolution plans; these may include an obligation to separate yet other functions from deposit banking. Capital requirements for trading resources and for housing and real estate-linked loans need to be reassessed. Bank governance and supervision needs to be reinforced.

Direct bank capitalisation from the ESM

The committee agrees with the government that primary responsibility for the stability of banks rests with their owners and, for banking systems with the home states of banks. ESM financing should be applied only as a last resort, on a case-by-case basis and following a unanimous decision. A functioning common supervisory mechanism is an absolute precondition for activating ESM capitalisation. Direct capitalisation must not lead to member states having to increase the ESM's capital.

Fiscal union

The committee agrees with the government that implementing the economic governance measures already agreed should be the immediate preoccupation. The committee believes it would be at least premature to decide any further-reaching steps to encroach on member states' budgetary policies before the previously agreed measures have even been tried.

The committee agrees with the government that even partial joint liability for debt by the euro states would be economically harmful and contrary to the convention. The committee adds that the difficulty of changing the treaty should be a sufficient reason to remove the notion of joint liability from active discussion in the European institutions. The committee agrees with the government that there is a case for promoting the exchange of information and voluntary cooperation concerning government bonds. The committee assumes that these items need not be mentioned in the European conclusions, which are notoriously open to over-interpretation.

The government is prepared to consider the creation in the context of developing the EMU of a redemption fund as a national and temporary arrangement to bring down debt to sustainable levels. The committee was unable to form a sufficiently precise understanding of the government's proposal in the time available. The proposal is still vague and the committee is not ready to express an opinion. As an initial reaction, the committee is prepared to consider all proposals to improve debt sustainability in the euro zone. However, the committee has reservations about linking measures that are meant to be purely national to the development of EMU or other common arrangements, as this might create the unjustified impression of an implicit guarantee.

3 *A common fiscal capacity*

The government has an open mind about exploring the creation of a common fiscal capacity in support of structural reform. The starting point should be developing existing instruments, such as the cohesion, structural and globalisation funds and their resources. The committee has no objection to the government's opinion, but would remind that, in the EU, changing a name often causes pressure towards more qualitative and quantitative changes in the future. The cohesion and structural funds have been supposed to support structural reforms since they were first created. As can be read from the justifications of Finland's positions on the multiannual financial framework (MFF), the effectiveness of these funds has been poor. Improving the effectiveness of the the EU's structural policies would be welcome, but the committee sees no grounds for optimism in the near future. The committee has reservations about adding further complications to the current negotiations about the MFF. The committee believes that Finland should make it a prime objective at the next European Council to resist anything that could be construed as supporting the institutions' objective of a joint euro zone budget.

The committee supports the government's categorical opposition to using a common fiscal capacity to counteract cyclical shocks. The committee observes that intervening against cyclical variations would involve such a large treasury that the proposal comes close to suggesting that all national budgets are made subordinate to a common fiscal capability. With reference to the Commission's discussion paper, the committee points out that asymmetric shocks cannot be compared to unforeseeable natural disasters. Preparing for cyclical variations is a basic part of fiscal policy. If a falling economic cycle subjects a state to unbearable economic strain, the reasons can be found in that state's policy choices and shortcomings in the EU's supervisory activities.

The committee considers that the drafters of these proposals should be asked to give plausible answers to the following questions: How effective could any euro zone dampening of cyclical variations realistically be? Would these anti-cyclical measures turn into a permanent transfer mechanism? Would political control be sufficient to ward off moral hazard? What added value do the institutions' proposals offer beyond the six-pack, two-pack, Fiscal Compact and enhanced ESM, which have all been agreed but not yet tested?

The committee agrees with the government's negative position on a joint euro zone budget, an own resource for the euro zone and the creation of a euro zone "treasury" within the Commission. As noted by the government, there are no economic policy justifications to be found for any of these, and they would further increase the rift between EU member states. The committee is of the opinion that issues of democratic legitimacy alone exclude these proposals from serious consideration.

An economic policy union

The committee agrees with the government that current instruments for harmonising member states' economic policies need to be fully explored before any new proposals are brought to the table.

The committee agrees with the government's reservations about contractual convergence and competitiveness instruments. In addition to the list of questions mentioned by the government, the committee would add the question, why a contractual arrangement is even being proposed, when normal statutory instruments would be much less problematic from the democratic legitimacy perspective.

Statement

As its statement, the Grand Committee pronounces,

that in concurrence with the sector committees it agrees with the government's position on the proposed directive on the recovery and resolution of credit institutions and investment firms (U51/2012 vp)and the proposed regulations on the transfer to the European Central Bank of prudential supervision of credit institutions (U 61/2012 vp. The committee believes that progress on these should be the objective of the forthcoming European Council; and

that it agrees with the government's position concerning the EU institutions' preliminary proposals on banking union and developing EMU with the emphases stated above.

Helsinki, 13 December 2012

The following members took part in the approval of this statement:

[25 names omitted from the translation.]

DISSENTING OPINIONS

[The two dissenting opinions, by five members of the Finnish Centre parliamentary group and four members of the The Finns parliamentary group, respectively, have been omitted from the translation.

3

HOUSE OF LORDS

Parliamentary Week 2013: ECON SESSION HOUSE OF LORDS CONTRIBUTION

With apologies for the delay, please find below and attached the House of Lords contribution to the ECON session at the Parliamentary week, 29 January 2013.

Colleagues may be interested to note a number of publications and pieces of correspondence by the House of Lords European Union Committee. The Committee has published a number of reports on the euro area crisis, and has also published a number of documents in consideration of the European Semester.

a) Euro area Crisis

1. In March 2011, the Committee published its report into *The future of economic governance in the EU*. The report considered the background to the crisis, fiscal discipline, macroeconomic surveillance, and a crisis management framework for the EU. On the **European Semester**, the Committee concluded that "Member States will benefit greatly from the introduction of a European Semester which will lead to more coherence in the way the Commission offers advice on how Member States could coordinate economic policies across the EU. Rather than downgrading the role of national parliaments we believe that a European perspective can only strengthen national parliaments' scrutiny of their national executives by providing more information." The report summary was as follows:

"The banking crisis in 2008 triggered a crisis of confidence in the financial health of Member States of the euro area. Concerns over the level of Greece's public deficit and debt in late 2009 soon widened to include other euro area countries including Ireland, Portugal and Spain. By late 2010 Greece and Ireland had accepted financial assistance from emergency liquidity funds established by the EU and euro area Member States.

The effect of the banking crisis on countries across the EU demonstrated the interconnection between the banking sector and public finances. It showed the degree to which economies in the EU, and particularly the euro area, are interdependent. In addition, however, the crisis revealed shortcomings in the architecture of the Economic and Monetary Union. An asymmetry between a centralised monetary policy and decentralised fiscal and supply-side policies, combined with a build-up of competitiveness imbalances between Member States, have left the future stability of the euro area in doubt. These problems were exacerbated by a failure of the markets, and Member States themselves, to understand the construction of the euro area. This saw the markets treating the euro area as a single entity without considering, and thus acting on, the financial health of individual Member States (for example, there was very little difference between the cost of Greek and German sovereign debt).

In response the European Commission, supported by the European Council, have put forward a series of legislative proposals that would monitor and coordinate more closely economic policies between Member States. The Commission's proposals focus on two elements: fiscal discipline (through amendments to the Stability and Growth Pact and a new Directive to reinforce domestic fiscal frameworks) and macroeconomic stability (through new mechanisms to monitor and correct macroeconomic imbalances). Most of these proposals apply to all Member States in the EU. Sanctions to enforce these measures can only be imposed against euro area Member States since the need for closer economic cooperation is greater in the euro area.

Although not the full fiscal union in the euro area that some of our witnesses suggested was necessary, the design of these measures is a step in the right direction. Closer economic cooperation can help foster greater economic stability for all Member States in the EU, but particularly for those in the euro area. The proposals relating to fiscal discipline and cooperation should make it easier for Member States in the euro area to arrive at a collective fiscal stance that stands as an equal to a centralised monetary policy. Likewise, the proposals for greater macroeconomic surveillance and coordination should help detect and address excessive imbalances which have the potential to destabilise the euro area. We do, however, stress that the proposals should not result in countries with a current account balance in surplus being asked to make adjustments which will harm their global competitiveness.

We have concerns, however, about the likelihood of these proposals being successfully implemented. Previous attempts to enforce fiscal discipline in the euro area through the Stability and Growth Pact proved ineffective when it became clear that sanctions would not be imposed for breaches of the Pact. Now that they have a better understanding of the construction of the euro area the markets will play the key role in restraining lax fiscal behaviour by Member States. However, if these new proposals for fiscal discipline and macroeconomic stability are to have any chance of success it is essential that the political authorities of the EU must take them seriously and ensure that they are adhered to. Where necessary they must be reinforced through sanctions that are credible and appropriate. The political resolve of Member States will determine whether these measures to increase the long-term stability of the EU, and the euro area in particular, are successful. We remain sceptical that this will be the case.

Supplementing the Commission's proposals will be a permanent crisis resolution mechanism, created and funded by euro area Member States. We support the establishment of the European Stability Mechanism. In particular, we welcome the inclusion of collective action clauses which will establish a formal mechanism to restructure sovereign debt. This is essential to ensure that the markets act to discipline Member States with irresponsible fiscal policies.

Although the European Stability Mechanism will be compulsory only for Members of the euro area, we believe that there may be times, as with Ireland, when it will be in the UK's interests to participate in financial assistance to Member States in difficulties. We therefore welcome proposals to allow Member States outside the euro area to contribute on an ad hoc basis when they wish to do so.

The problems in the euro area have, so far, been contained and no Member State has yet defaulted on its sovereign debt. However, the threat remains and the period until the new crisis resolution mechanism is introduced in 2013 is likely to be fraught despite reassurances from EU leaders. In particular, the willingness of taxpayers in countries subject to the most acute pressures to continue to shoulder the burden of adjustment cannot be taken for granted. If economic growth does not ease this burden they may be tempted to demand that bond-holders share the pain of adjustment, a prospect that could result in fresh financial turmoil. A focus on growth, in addition to fiscal discipline, is therefore essential.

The proposals covered in this report are well on their way to being adopted. However, we note that a number of issues remain unresolved, including: whether or not the time has come for euro bonds to be issued by the euro area as a whole rather than by individual members; the linkages between the new European Systemic Risk Board and the Commission's proposals on macroeconomic surveillance; and the possibility of developing further the proposed permanent crisis resolution mechanism into a European Monetary Fund."

2. A follow-up report on *The euro area crisis* was published in February 2012. The report summary was as follows:

"The euro area crisis is a complex blend of financial, economic, political and institutional problems. Over the past year, developments in these interwoven elements have dominated the political and news agenda. National governments and EU institutions have struggled to keep up with the pace of events. The EU, and the euro area in particular, face massive challenges and there is a need for effective and proactive leadership both from the EU institutions and Member States, in the interests of the wider Union.

Concerning the immediate economic and financial aspects of the crisis, it is essential that the outline agreement reached in October 2011 on Greek debt write-down, bank recapitalisation, and the financing of the European rescue funds, is implemented quickly and effectively. Although it should not be regarded as a panacea, additional action by the European Central Bank is likely to prove essential.

The proposed 'fiscal compact' and economic policy coordination measures for the euro area have been highly controversial. In December 2011 the United Kingdom indicated it would stand aside, and at the end of January 2012 the Czech Republic stated that it would not participate for the time being. Eight of the ten non-euro Member States are likely to join the 17 euro area states in signing the new treaty at the next European Council on 1-2 March 2012. The proposed treaty makes clear that the key provisions apply only to euro area states (unless a non-euro state indicates that it will choose to be bound by them).

The proposed treaty is outside the treaty architecture of the EU, though it cites within it several obligations arising under the EU treaties and legislation made under the treaties. Under the fiscal compact, each state will undertake that it will not have a structural deficit of more than 0.5 per cent of GDP (or 1 per cent if certain conditions are met); that it will put in place an automatic correction mechanism if it is not on course to meet that objective; and that within 20 years the ratio of general government debt to GDP should not exceed 60 per cent. The EU Court of Justice will be allowed to rule on whether states have met the requirement to put into national law the balanced budget rule and, if they fail to comply with a judgment that they have not, to levy a fine of up to 0.1 per cent of a country's GDP. There are also treaty provisions on economic policy co-ordination and governance, including for summit meetings of the euro area states and the President of the European Commission and President of the European Parliament to be held at least twice a year.

In the Committee's view it is vital that, while the euro area states take the steps they consider necessary to strengthen the euro, including on fiscal integration, matters relating to the internal market remain the preserve of all 27 EU Member States. We welcome the disclaimer on the face of the treaty which is designed to ensure that this point is respected.

The proposed treaty raises a number of other questions, particularly concerning the relationship between it and the EU treaties and laws made under those treaties; and the proper role of EU institutions. The history of the institutional development of the European Union is characterised by pragmatic flexibility, suggesting that some of the rough legal edges of the proposed treaty will be softened over time. With the United Kingdom reducing its objection to the use of the EU institutions under the proposed treaty, it might be argued that this process is already underway. But even so, the lack of clarity about whether it is legitimate for the proposed treaty to confer new functions on institutions of the European Union, and the extensive overlap between the

provisions of this treaty and functions which have already been imposed by EU legislation, is undesirable.

The United Kingdom Government, together with the other Member States of the Union, and the EU institutions, must devise a means of securing the fiscal integration desired by some of the euro area Member States while at the same time protecting the integrity of the single market, including its provisions for financial regulation, as an engine of economic growth for all 27 Member States of the Union.

We agree with the assessment of the United Kingdom Government that the "optimum outcome" at the December European Council would have been an agreement at the level of all 27 EU Member States, with the interests of the United Kingdom protected. Shifting discussions outside the main EU channels to forums where the United Kingdom has no voice risks marginalising the UK over time.

For the longer term, we note that the proposed treaty states in Article 16 that it remains the intention for its provisions to be folded in to the main EU treaty framework. We can see no reason in principle why this should not in due course be achieved.

Article 16 of the proposed treaty also provides for an assessment of experience with implementation, well within five years. We hope that this assessment will encompass a reflection on what is, in the fiscal compact, a major development in the fiscal policy of the euro area states.

It is clear that improved budgetary discipline is necessary in order to make progress in resolving the euro area crisis, but ultimately the resumption of sustainable economic growth will hold the key: both in general terms across the EU, and in facilitating attempts to resolve the serious imbalances in competitiveness between different countries in the euro area. Therefore, while we acknowledge the great difficulty of devising measures to support economic growth in a period of austerity, we are concerned that the potential of the development of the single market to enhance growth has faded from view during the crisis. We are heartened by the emphasis on job creation and the single market at the EU summit on 30 January 2012, but the real challenge for policymakers will be the sustained implementation of measures which are both effective in developing the single market and thus supporting economic growth, and which do not threaten the drive to improve budgetary discipline."

3. The Committee conducted a further short follow-up inquiry on the euro area crisis in July 2012. The Committee sent a letter to the Financial Secretary to the UK Treasury setting out its views. This letter is attached.

4. The Committee is currently conducting a further short follow-up inquiry on the euro area crisis, and expects to write to the Financial Secretary to the UK Treasury again in February 2013 setting out its views. The Committee intends to conduct further short follow-up inquiries on the crisis at a six-monthly interval.

b) **European Semester.**

5. As well as the excerpt in 1 above, the Committee also published a letter to the Financial Secretary to the UK Treasury in June 2012 setting out its views on the 2012 European Semester. This is also attached. The Committee has begun its scrutiny of the 2013 Semester, and is likely to publish letters on the National Reform Programme and the Alert Mechanism Report on 22 January 2013. I will forward these to you as soon as they are published.

6. On the issue of democratic accountability and legitimacy set out in the Van Rompuy paper *Towards a Genuine Economic and Monetary Union*, the Committee set outs its views in a letter of October 2012. This is also attached. The Committee considered this paper in more detail in its most recent report, *European Banking Union: Key issues and challenges*, published in December 2012.

3

HOUSE OF LORDS
European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 7291
Fax: 020 7219 6715
euclords@parliament.uk
www.parliament.uk/lords

Mark Hoban MP
Financial Secretary
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

24 July 2012

Dear Mark,

The euro area crisis: an update

Thank you for your evidence before the House of Lords European Union Sub-Committee on Economic and Financial Affairs at its meeting on 17 July 2012, on developments in the euro area crisis since the publication of the Committee report in February. You will be aware that the Sub-Committee also heard oral evidence from: Gideon Rachman, Chief Foreign Affairs Columnist, Financial Times, Mats Persson, Director, Open Europe, Professor Patrick Minford, Professor of Applied Economics, Cardiff Business School, on 3 July; and from Dr Richard Corbett, Member of the Cabinet of Herman Van Rompuy, President of the European Council, on 10 July.

The future of the euro area

Since you appeared before us, the situation in the euro area has developed rapidly. The possibility of Greek default is again being discussed, and Spanish borrowing costs have risen dramatically. In your appearance before us, we were struck by your view that there is a strong political will within the euro area to see it continue and to remain intact, as well as your view that, at every stage of the crisis, euro area leaders have shown that they are prepared to take the necessary steps to ensure its survival. You pointed out that, by contrast, the debate on the euro in the UK is seen in economic terms. Do you agree with Professor Minford that the enormous commitment that Member States have vested in the euro means that it is now almost impossible to go back? Do you agree that the euro area is therefore likely to survive, even if it is in a modified form? If so, what impact would this have on the euro as an international currency?

Mr Persson argued that it is now very difficult for Greece to get out of its current position, and that "within the next year there will need to be a fundamental decision about whether Greece can remain inside the euro." Do you agree with him? How do you anticipate events unfolding in the autumn as negotiations on Greece's fiscal position continue? For how long

can euro area leaders, led by Germany, be expected to remain committed to providing such significant financial support to Greece? What will the implications be for vulnerable nations such as Cyprus, which has just assumed the Presidency of the Council of the EU, and what support is the UK providing to Cyprus? Is it possible for the euro currency to continue, even if the euro area itself does not survive in its present form?

Mr Rachman told us that he would prefer a Greek exit to take place in "as controlled a fashion as possible, as opposed to a chaotic breakdown where Greece leaves the euro and then you suddenly have border guards trying to stop people taking euros out of the country". What planning and preparatory steps do you believe need to be undertaken if an orderly exit is to occur without serious ramifications in terms of contagion both to other euro area Member States, and to the EU as a whole? What planning does the European Commission, in particular, need to undertake, and are you aware of the Commission undertaking such work? In your evidence to us you told us that "a wide range of contingency planning is undertaken by government." What further information can you give us on the nature of the work that is being undertaken? Are you confident that UK authorities have optimal plans in place to protect UK markets, entities and citizens from the turbulence consequent on a Greek exit?

You told us that there was still uncertainty about the size of the ESM, and Dr Corbett told us that there was a question of whether the funds available were sufficient in size to create an effective firewall. Mr Rachman pointed to the danger of a crisis in Italian funding requirements, because Italy has almost €2 trillion worth of debt due to be rolled over in the next few years. In his view, if Italy cannot borrow from the markets, "then you have a real meltdown". Is it possible to construct a firewall large enough to secure Spain and Italy's position, given that, as Mr Persson told us, their leaving the euro would fragment the single market, whose survival and deepening is a pivotal objective of UK Government policy? At the time of writing, both Spanish and Italian bond markets were coming under intense pressure. How large does such a firewall need to be in order to be effective?

The implications of fiscal and banking union for the UK

In our February 2012 report, we stressed that it was vital that, while the euro area states take the steps they consider necessary to strengthen the euro, including on fiscal integration, matters relating to the single market remain the preserve of all 27 EU Member States. We urged the UK Government, together with other Member States, to devise a means of securing the fiscal integration desired by euro area Member States while at the same time protecting the integrity of the single market, including its provisions for financial regulation. The 28/29 June EU summit called for the development of a "specific and time-bound road map for the achievement of a genuine Economic and Monetary Union". The report by the President of the European Council, Herman Van Rompuy, *Towards a Genuine Economic and Monetary Union*, set out "four essential building blocks" for the future EMU: an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework and strengthened democratic legitimacy and accountability. A key element of this package is so-called "banking union", including a proposal for a new banking supervisory framework, which you told us would be published in early September, with the hope of legislation being agreed by the end of the year.

The Government have made clear that, whilst they support the development of closer fiscal integration and banking union, the UK will not take part in the fundamental elements of a banking union, including a common deposit guarantee scheme or placing the UK under the

3

the great majority of parliaments and their scrutiny committees have not yet had any opportunity to consider the matter. The best way for such discussions to take place would, I believe, be through the annual European Speakers' Conferences, the next of which will be held in Cyprus in April 2013.

I am copying this letter to the Rt Hon David Lidington MP, Minister for Europe; Mr William Cash, Chairman of the House of Commons European Scrutiny Committee; Les Saunders, Cabinet Office; and Sarah Winter, Foreign and Commonwealth Office.

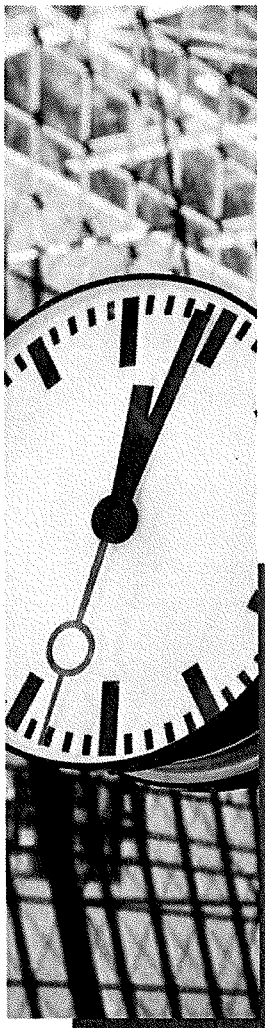
Lord Boswell
Chairman of the European Union Committee

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY



Economic and Monetary Affairs

Employment and Social Affairs

Environment, Public Health and Food Safety

Industry, Research and Energy

Internal Market and Consumer Protection

Economic Growth versus Austerity

NOTE

EN

2013

Economic Growth versus Austerity NOTE 2013

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

Economic Growth versus Austerity

NOTE

Abstract

Optimal economic growth requires that there is enough effective demand to absorb the potential output the economy can generate. If demand is too high, it leads to inflation, which will be countered by restrictive monetary policies. If it is too low, investment will fall and lower actual GDP growth will also have detrimental effects on long run growth. It is shown that the Euro Area is presently compounding its economic woos by an excessively restrictive fiscal policy stance. A reform of the Stability and Growth Pact is proposed.

IP/A/ECON/NT/2013-05 **January 2013**

Part of the compilation PE 492.471
for the Interparliamentary Committee Meeting **EN**

This document was requested by the European Parliament's Committee on Economic and Monetary Affairs.

AUTHOR[S]

Stefan COLLIGNON, Professor at Scuola Superiore Sant'Anna, Pisa
With research assistance by Piero ESPOSITO, Centro Europe Richerche, Rome

RESPONSIBLE ADMINISTRATOR[S]

Rudolf MAIER
Policy Department Economic and Scientific Policy
European Parliament
B-1047 Brussels
E-mail: Poldep-Economy-Science@europarl.europa.eu

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its newsletter please write to:
Poldep-Economy-Science@europarl.europa.eu

Manuscript completed in January 2013.

Brussels, © European Union, 2013.

This document is available on the Internet at:
http://www.europarl.europa.eu/studies

DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

CONTENTS

INTRODUCTION 4

1. THE DEPTH OF THE CRISIS 5

2. POLICY RESPONSES 7

3. POLICY CHOICES: STIMULUS OR AUSTERITY? 9

4. THE IMPACT OF AUSTERITY ON ECONOMIC GROWTH 12

5. THE CONTRIBUTION OF EFFECTIVE DEMAND COMPONENTS TO ECONOMIC GROWTH 14

6. CONCLUSION 16

REFERENCES 18

INTRODUCTION

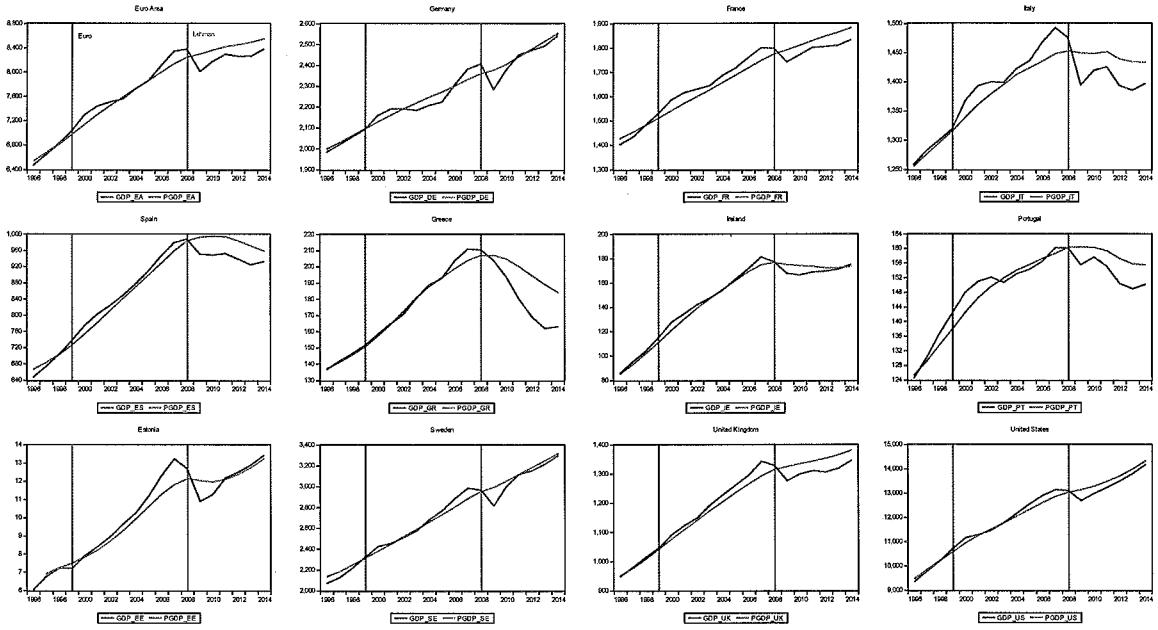
As the Euro Area enters its fifth year of crisis, it is time to reflect on whether we are on the right track. The dominant policy consensus deserves re-examination: unemployment rates are at historic records, recession is back in most member states, the risk of poverty is shooting up, and public debt ratios are hardly coming down. In this context, the question must be asked whether austerity has helped to stabilise the economy or whether it has aggravated the crisis. In this note, I will present some evidence that excessive austerity is counterproductive to economic and social stability.

1. THE DEPTH OF THE CRISIS

Triggered by the Lehman bankruptcy in 2008, the global financial crisis has caused a major loss of output and income in most economies of the globe. Figure 1 gives evidence for the Euro Area, some Member States and the United States. Although the fall in income is significant everywhere, some economies, notably Germany and Sweden, have quickly pulled out of the recession and are producing output at their potential capacity again; Estonia, which is sometimes named a successful adjustment example has indeed returned to growth, although its productive capacity was also reduced during the crisis. The United States is also on track of fully absorbing its potential output capacity. In the Euro Area as a whole, however, and especially in the crisis economies in the South, actual GDP is lagging behind potential; but while the output gap[1] is closing in most Euro Area economies, this effect is often a consequence of lower or even negative *growth* of productive capacities. The crisis has therefore a detrimental long run impact on the economy, which translates in rising unemployment and public debt.

Figure 1:

Actual and potential GDP for selected economies



Source: AMECO.

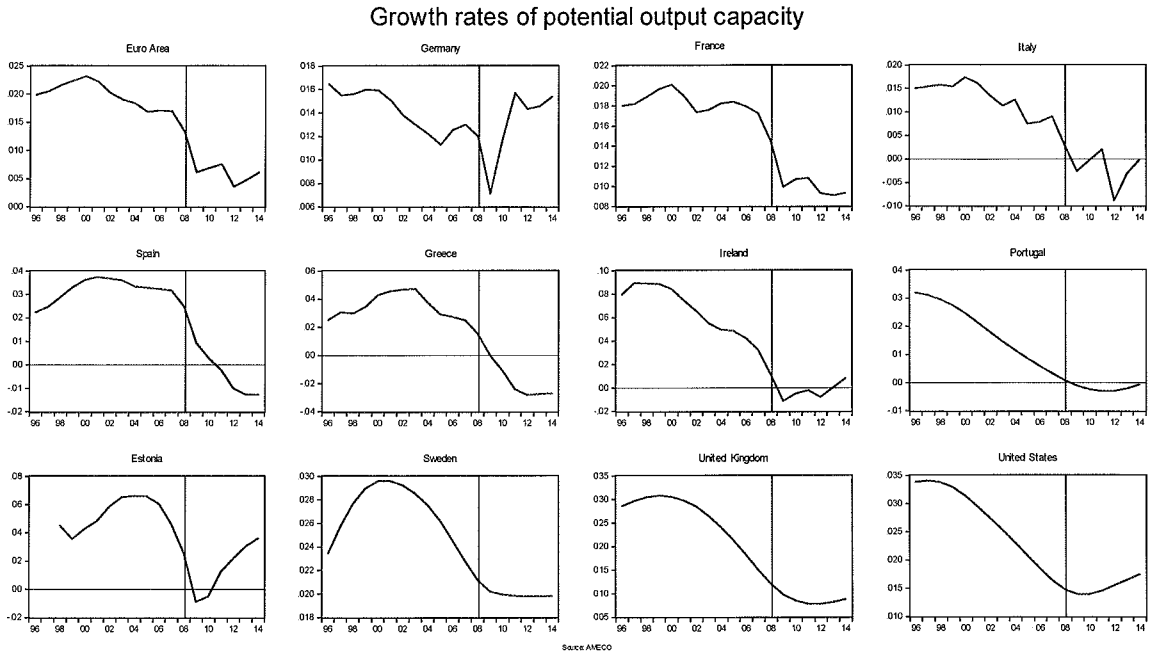
Since it started in 1999, the Euro Area has experienced two booms with demand exceeding supply capacities; one in 1999-2000 and a second just before the global financial crisis (see Figure 1). Booms also occurred in other economies during those years, although in the United Kingdom, Sweden, or the USA they were longer and stronger and causing higher inflation. Yet, while previous booms were simply tuned down to meet potential supply, the crash after 2008 caused not only huge output losses everywhere, but it also lowered potential growth in many economies.

This is shown even clearer by Figure 2. While potential growth in the Euro Area was around 1.5% before the crisis, it dropped below 0.5% after 2009. Only Germany has returned to capacity growth rates similar to the pre-crisis period, although those rates were well below the Euro Area average and only half of the Anglo-Saxon performance. Thus, Germany's traditional characteristic of a slow-growth economy is presently masked by the troubles in

[1] The output gap is the difference between actual GDP and the potential output capacity of an economy, determined by the available labour force, the stock of capital and total factor productivity.

competing economies[2]. More seriously, in France, the UK, the USA, Sweden and Estonia, the crisis had slowed down potential growth, and in the south of Europe productive capacity is even shrinking.

Figure 2:



Source: AMECO.

These developments have very significant negative consequences for the labour market. Instead of absorbing a growing labour force, shrinking capacities generate unemployment and push a growing share of the labour force out of productive employment. Slower growth will also negatively affect the dynamics and sustainability of public debt. It must therefore be the primary objective of economic policy in Europe to reverse these developments.

[2] Some factors contributing to Germany's slow growth is the absence of domestic consumption as will be shown below.

2. POLICY RESPONSES

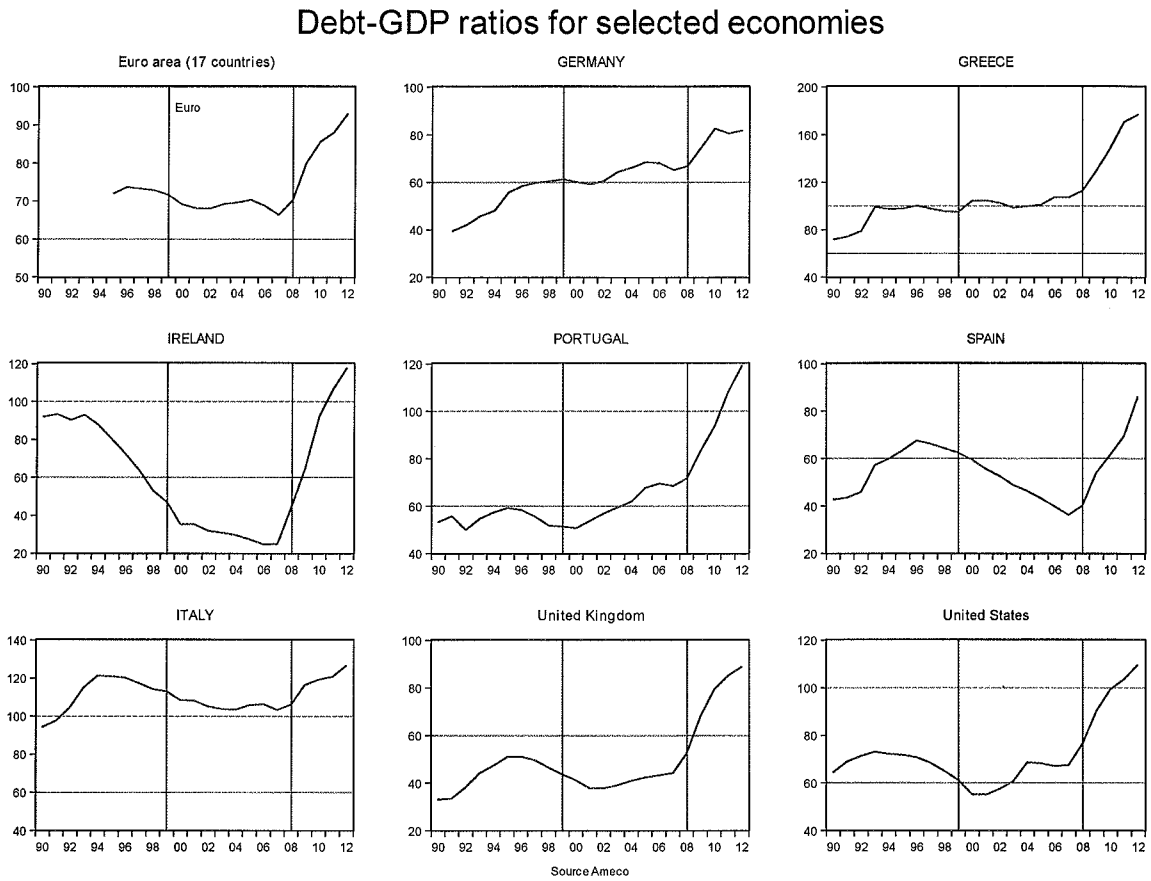
In the immediate aftermath of the crisis, all G20 nations agreed that, given the climate of general uncertainty and dysfunctional financial markets, stimulating effective demand by public borrowing was necessary to avoid a severe depression. The United States, China, Japan and the UK announced large spending packages, although the Euro Area was more reluctant. Germany and France did undertake stimulative measures, Italy did not. The stimulus worked. A sustained depression was avoided and even Italy benefitted from the spillover for its exports. But while growth returned, it did so in most cases at lower rates than before.

As soon as the world seemed to pull out of the global financial crisis, Europe was shaken by the debt crisis, which turned into a full-fledged Euro crisis. When the newly elected Papandreou government in Greece revealed the misdemeanours of its predecessor, confidence in Europe's fiscal policy framework, and especially into the Stability and Growth Pact, collapsed. Investors rapidly dumped Greek government debt from their portfolio, yield spreads shot up, the Euro interbank market froze, and soon the crisis spilled over to Ireland, Portugal and the rest of Southern Europe.

At that point, Europe's policy consensus started to deviate from global wisdom. Given that excessive debt seemed to be the problem, fiscal consolidation became the dominant theme for policy makers. Sometimes extremely harsh austerity measures were imposed on Member States with rapidly rising debt ratios. It was argued that high deficits were a sign of fiscal irresponsibility and needed to be reined in by cutting expenditure and rising taxes. However, despite these measures, the situation got worse.

Figure 3 shows, that the rapid increase in public debt ratios was a direct consequence of the global financial crisis. Fiscal profligacy may have prevailed in Portugal and Germany, also in France (not shown), but the Euro Member States with the greatest debt problems, such as Ireland, Greece and Spain, have seen stable or falling debt ratios before 2008 and extremely rapid increases thereafter. In fact, if there is one factor that these countries share, it is not budget irresponsibility before the crisis, but large output gaps since 2008 (see Figure 1).

Figure 3:



The European policy response to rising debt ratios was fiscal tightening at a time, when most countries were still experiencing negative output gaps. By contrast, in the USA public borrowing was deliberately used to stimulate aggregate demand. These different policy orientations must have had important consequences for the two economies.

3. POLICY CHOICES: STIMULUS OR AUSTERITY?

Fiscal policy must be seen in its economic context and over time. There are times when the economy needs to be stimulated and others when austerity is justified. The overall policy purpose must be to keep the demand for goods and services in balance with the capacity of supply. Demand is determined by spending on investment goods, private and public consumption plus the demand from the rest of the world. Under normal conditions, private demand for investment and consumption responds to interest rates and monetary policy, but in a sever crisis where trust in banks has vanished and general uncertainty blocks spending by firms and households, the government must step in. Public spending financed by credit can then compensate for insufficient private demand. However, this is only justified as long as the output gap is negative for otherwise public spending would ignite inflation.

Austerity is generally understood as a policy of deficit reduction by cutting public expenditure or rising taxes. It implies less public service and often lower public wages and employment. However, in broader terms, it may include also the reduction in private consumption caused by lowering wages and increasing savings. When austerity is used to reduce current account deficits, it may imply lower public borrowing and a reduction in the investment-savings relation.

Thus, in order to assess whether austerity is a desirable policy or not, a benchmark is needed. This is the output gap. A positive output gap implies that aggregate spending (demand) in the economy exceeds the potential supply, so that there is pressure for prices to increase. In that case, austerity would be a policy recommendable to stabilize the economy. Alternatively, a negative output gap implies a lack of demand that may push prices down or, more likely, reduce entrepreneurs' willingness to invest, thereby decreasing potential output capacity and weakening employment. In that case, stimulating demand by increasing private and public spending is required to stabilize the economy. Thus, one has to distinguish clearly between the levels of aggregate spending relative to the value of potential output, and the changes in spending, which reflect stimulus and austerity. Whether austerity is good or bad depends on the specific position of the economy. See Table 1.

Table 1: Economic policy options

	Excess demand	Demand gap
Stimulus is:	*bad*	*good*
Austerity is:	*good*	*bad*

From Table 1 we can deduct the right fiscal policy stance for governments. Fiscal tightening, and therefore austerity, is necessary when aggregate demand exceeds supply capacities, for otherwise risks of inflation emerge. On the other hand, when demand is insufficient to absorb the output capacity, austerity is self-defeating, because the lack of demand for products pushes firms to reduce investment and staff.

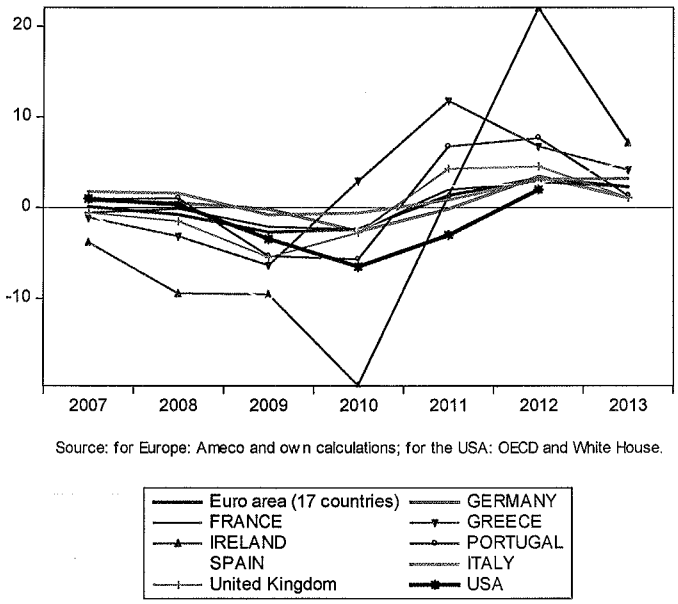
How important are the differences in fiscal policy stances in Europe? One commonly used variable to measure the policy stance is the change in the primary budget position, i.e. the deficit adjusted for cyclical variations and net of interest payments. The fiscal stance is tightening when the change in the primary position is positive and loosening when it is negative. Yet, the fiscal stance is not exactly identical with the stimulus packages of 2009, for it shows only loosening or tightening over and above the cyclically adjusted budget position. Some of the huge stimulus packages in 2009, for example in Germany, have

simply responded to the growing output gaps and thereby avoided a deep recession, but they did not necessarily generate additional growth impulses.

Furthermore, because investment decisions are made under long run considerations, it is not enough to stimulate demand only in the short run, say in one year alone. Fiscal policy has to be assessed in a multi-annual perspective. Thus, in order to measure the long run impact of fiscal policy in Europe, Figure 4 gives the cumulative effect of the fiscal stance since 2007 for several countries.

Figure 4:

Cumulative fiscal stance



Source: for Europe: Ameco and own calculations; for the USA: OECD and White House.

For the Euro Area as a whole, fiscal policy was mildly stimulative until 2011. Italy did hardly loosen in its fiscal stance, presumably because it debt ratio was already one of the highest in Europe, while Germany did become more accommodating, but only in 2010. The biggest loosening was observed in Ireland, Spain, Greece and France in 2009, while in 2010 most Euro Area members were already tightening their budget position again. In Ireland, the fiscal adjustment came with one year delay, but then it was all the more draconian.

The rapid return to fiscal tightening may be a fault of the Stability and Growth Pact (SGP), which stipulates[3] that the excessive deficit procedure is suspended in case of a severe economic downturn "*if the excess over the reference value results from a negative annual GDP volume growth rate or from an accumulated loss of output during a protracted period of very low annual GDP volume growth relative to its potential.*" However, when GDP growth bounces back into positive territory the suspension is revoked because the pact defines the exceptionality of the situation only in terms of growth rates and not in terms of output levels relative to potential. As a consequence, 12 Euro Area Member States have been declared to have "*excessive deficits*" already by the end of 2009,[4] which need to be corrected by 2013. Thus, not only does the Stability and Growth Pact lead to a rapid and early fiscal consolidation, which is damaging long term growth as will be shown below; but in addition, it was applied in an overly restrictive way, which was probably in contradiction with the legal text.

[3] Council Regulation (EC) No 1056/2005of 27 June 2005 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, Article 1.

[4] http://ec.europa.eu/economy_finance/economic_governance/sgp/deficit/index_en.htm (accessed 21.1.2013).

The contrast is striking when one compares the Euro Area with the United States, which does not have such institutional constraints. Until 2012, the Obama administration has pursued anti-cyclical stimulating policies. This has, of course, given rise to higher debt ratios (Figure 3), but it has also helped to close the gap between productive capacity and effective demand (Figure 1) and it has even stimulated growth in potential GDP. By contrast, in the Euro Area debt ratios are also rising, but the restrictive fiscal stance prevents the closing of the output gap and lowers productive capacities. This worsens the debt ratio because of GDP in the denominator of the ratio, and because the reduced income yields less tax revenue.

4. THE IMPACT OF AUSTERITY ON ECONOMIC GROWTH

It is often thought that fiscal policy (or monetary policy in normal times) should aim at closing the output gap in the short run. This is the core of business cycle policies (Konjunkturpolitik). However, from a growth perspective, demand management is not just a matter of avoiding cyclical variations around the long run trend of a steadily growing economy. It is also about generating an environment, which sets incentives for productive investment and entrepreneurial initiative. Long run growth of productive capacity depends on a wide range of supply side factors. Improving these factors is the purpose of structural reforms, although it is clear that supply side policies will remain without effect if demand is insufficient to justify investment. This is why a more coherent and active macroeconomic policy for the Euro Area is so important.

The problem of demand management in the long run is more complex than simple Konjunkturpolitik, because potential output is not static. Usually potential output is calculated by a Cobb-Douglas production function, which assumes full employment of the labour force and capital stock and a given rate of technological progress (Total Factor Productivity - TFP, also called Solow residual). A long line of research has identified Research & Development (R&D) spending, human capital accumulation, public infrastructure, labour market flexibility and a number of efficiency variables as prominent explanations for the rate of technological progress, although the all deeper causes of economic growth are not yet fully understood (Helpman, 2004). However, given that these structural factors, and especially technology, will improve with economic growth, the growth of productivity is endogenous to the overall increase in output. A sustained slowdown of actual growth will therefore also reduce potential growth.

By definition, economic growth is a long run phenomenon. The complication for demand management derives from the fact that a negative output gap (i.e. a lack in demand relative to potential output capacities) will affect the rate of investment and therefore the level of the capital stock as well as the development and adaptation of technological innovation. By contrast, a positive output gap ignites inflationary pressures, which will be met by restrictive monetary policies, which may in the long run also reduce investment and growth.

There are two channels through which aggregate demand will affect future potential output: first, a negative output gap is a static indicator for insufficient market opportunities. A negative output gap will therefore lower investment and future output, especially when the lack of demand is persisting for a long time. Second, the dynamics of market opportunities can be measured by the difference between actual and potential GDP growth. If actual GDP grows faster than potential, a negative gap is closing; if it lags behind potential, the market dynamic worsens and this will accelerate the loss of investment and potential growth. Thus, a negative differential between actual and potential GDP growth leads to a negative feedback loop, which will cause the economy to stagnate or shrink.

To test whether this hypothesis of a long run reduction of the potential growth rate due to insufficient demand holds up, we have estimated a panel regression for Euro Area Member States, where the dependent variable in the first part is the potential growth rate and in the second the investment rate. As regressors we have taken the cumulative output gap between the moments when it switches from positive to negative or the other way round. Because a positive output gap is inflationary, we have also added the GDP deflator and separated periods with positive and negative cumulated gaps. Finally, we have also added the variable for investment, which catches all kinds of structural influences.

Table 2: Effect of cumulative output gap on potential GDP and investments

Dependent variable: log(PotGDP)							Dependent variable: log(Inv)		
	1981-2012	1990-2012	1999-2012	1981-2012	1990-2012	1999-2012	1981-2012	1990-2012	1999-2012
CumGap +	0.024	0.034	0.022	0.069	-0.062	-0.055*	0.027**	0.033**	0.007
	[0.072]	[0.049]	[0.018]	[0.065]	[0.073]	[0.032]	[0.012]	[0.012]	[0.009]
CumGap -	-0.206**	-0.201***	-0.121**	-0.023	0.011	-0.339*	-0.057***	-0.072***	-0.106**
	[0.073]	[0.059]	[0.056]	[0.091]	[0.104]	[0.182]	[0.015]	[0.021]	[0.043]
GDP defl	19.632**	-0.044	12.819	14.177**	10.562	3.339	1.979**	1.039	0.59
	[9.035]	[7.569]	[9.550]	[7.182]	[10.550]	[22.713]	[0.683]	[0.901]	[2.859]
log(Inv)				3.104**	2.848**	1.907*			
				[1.293]	[1.110]	[1.095]			
N	383	264	168	375	257	163	375	257	163

Standard errors in brackets. *significant at 10% level; **significant at 5% level; ***significant at 1% level. Cum Gap+ =Cumulative positive gap in % of GDP; Cum Gap- =cumulative negative gap in % of GDP; GDP defl= GDP deflator;log(Inv)=log of net investment (2005 prices). Estimator: Common Correlated Coefficients Mean Group Estimator (CCEMG). Data are from AMECO.

The results in Table 2 support our hypothesis. Prolonged negative output gaps in the Euro Area will reduce potential GDP, because the lack of demand will disincentivize investment (columns 1-3).[5] This phenomenon is less clear for the periods of 1990-2012, which is dominated by many structural reforms due to the creation of the European internal market. This is supported by column 5, where the investment variable catching structural effects is strongly significant. However, for the monetary union era 1999-2012, our model is well supported by the data: a negative cumulated output gap lowers the potential growth rate, and structural reforms which increase capital accumulation raise the growth potential. The channel through which this effect is generated is the rate of investment, which falls the longer and larger the output gap remains negative. Inflation does not matter, presumably because the ECB has been successful in maintaining price stability. This may also be the reason, why positive output gaps do not generate higher growth: excess demand, which may generate inflation, will be countered by higher interest rates, which will reduce investment and potential growth.

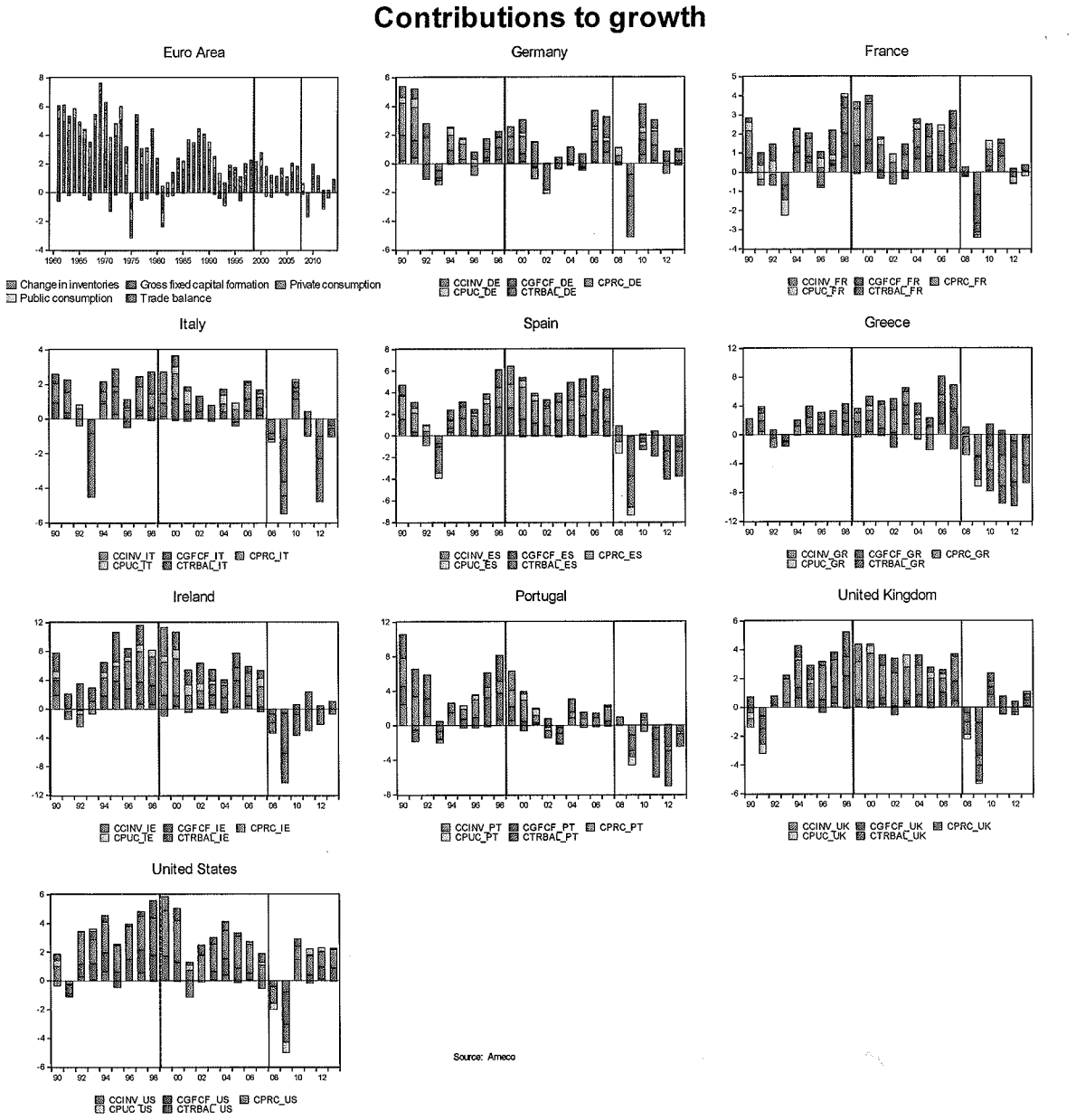
Thus Table 2 presents supporting evidence that long lasting negative output gaps will reduce the growth rate of productive capacity. The question is then, which factors are affecting aggregate demand in the Euro Area.

[5] The negative gap is expressed in absolute terms so that a negative sign signals that an increasing negative gap will reduce potential GDP.

5. THE CONTRIBUTION OF EFFECTIVE DEMAND COMPONENTS TO ECONOMIC GROWTH

According to standard national income accounting practices, aggregate demand consists of changes in inventories, investment (Gross Fixed Capital Formation), private and public consumption and the trade balance. Figure 5 shows the contribution of these demand components to the GDP growth rates.

Figure 5:



This first panel gives a long term overview of demand component in the Euro Area for half a century. The important information is that growth was strongly driven by private investment and private consumption in the glorious 1960s and again in the growth period of the late 1980s. However, the absence of any significant investment since the 1990s is puzzling. The relatively positive growth performance of the first euro-decade was entirely

driven by private and public consumption and net exports. Since the Euro-crisis even private consumption has shrunk, public consumption has nearly disappeared and the only significant driver of growth is net exports.

The performance of individual Member States is varied. Germany is dominated by exports, occasional investment and hardly any contribution from private or public consumption. In France, consumption has been important in the first decade of the euro, but it has been cut during the crisis. In Italy, public consumption was important in the first years of EMU, but since 2008 all components have been shrinking. High growth in Spain was dominated by investment and private consumption before the crisis, but now investment and exports have turned negative. Greece is characterized by a collapse of private consumption, investment and exports and an absence of public consumption. In Ireland, net exports have compensated the collapse of domestic demand, while in Portugal exports and investment are pulling the economy down. Outside the Euro Area, we find that the Blair-boom in the UK was mainly consumer driven, but in recent years the economy has become totally dependent on a weak foreign trade performance. Finally in the USA, and in contrast to Europe, private consumption is the single most important demand component, which also stimulates investment, although in recent years public consumption has compensated some of the private demand weakness.

6. CONCLUSION

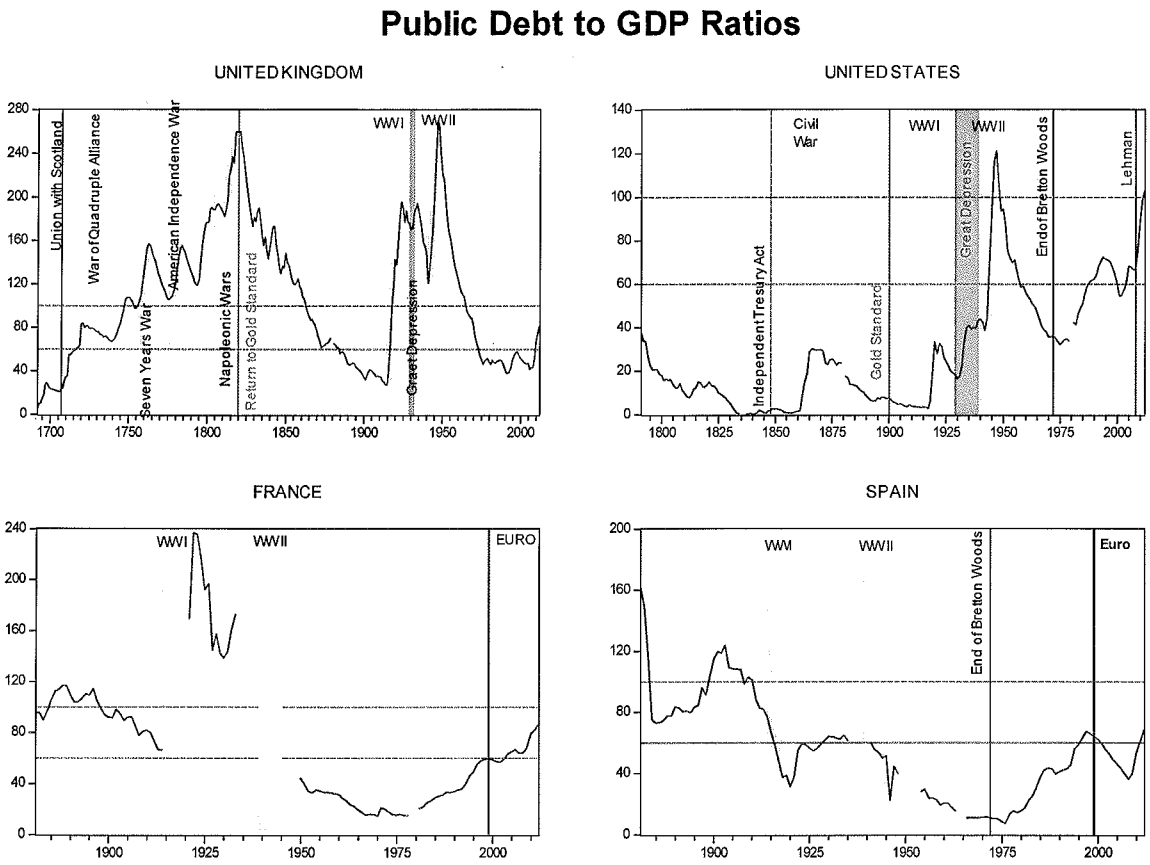
The overall lesson from our considerations is clear. While the financial crisis has caused a credit crunch, with banks deleveraging their balance sheets and the corporate sector cutting costs, austerity, i.e. reduced spending for private and public consumption, has destroyed the incentives for further investment in Europe. Only exports are presently a source for economic growth. This means that the economic woos of the Euro Area are largely self-made: the collapse of domestic demand leads to a slowdown of long run economic growth, rising unemployment and social problems and a worsening of public finances.

Is there an alternative to austerity? The United States have taken a different policy track, which seems more successful. Public spending has complemented private consumption and both are stimulating investment; the positive outlook has calmed financial markets. By contrast, in Europe the financial crisis is perpetuated by a rigid imposition of austerity on member states, which find their productive capacity seriously harmed.

Under these circumstances, credit-financed public spending should remain a policy instrument for the Euro Area in order to stimulate private economic activity. This would require suspending the rigid constraints of the Stability and Growth Pact and Fiscal Compact until the output gap has been closed again. Once the situation normalizes, a tight fiscal control regime is of course necessary to prevent similar crises in the future. The amended Council Regulation (EC) No 1467/97 should therefore be amended to refer to the levels rather than the growth rates of actual and potential GDP.

One may object that public debt ratios in Europe are already too high and do not provide any room for further public borrowing. It might be useful to place this discussion in its historic context. Debt ratios of 100% or more have occurred before in history without ruining a country's economy (see Figure 6). While wars have been the main reason for higher public debt, economic depression and the unification of countries have also been important factors for rising debt. What has always brought down public debt has been economic growth. The unification of Europe would certainly deserve a period of higher debt that leads to higher growth in the future.

Figure 6:



Source: Abbas et al. (2010).

REFERENCES

- Helpman, E. (2004), *The Mystery of Economic Growth*, MIT Press.
- Abbas, S. M. A., Belhocine, N., El Ganainy, A. A., Horton, M. (2010) "Historical Public Debt Database" IMF working paper 10/245.

EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

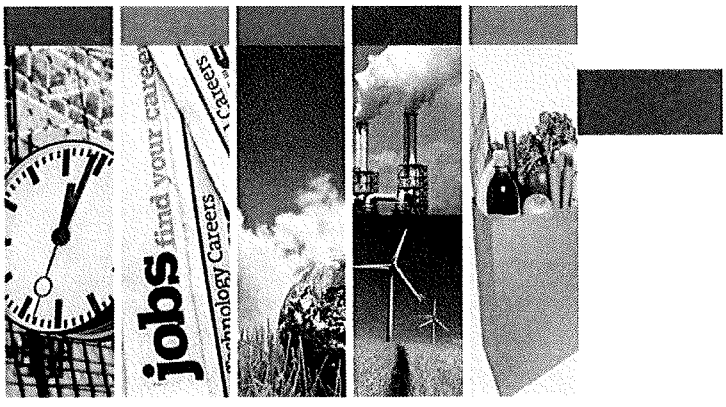
Policy Areas

- Economic and Monetary Affairs
- Employment and Social Affairs
- Environment, Public Health and Food Safety
- Industry, Research and Energy
- Internal Market and Consumer Protection

Documents

Visit the European Parliament website: **http://www.europarl.europa.eu/studies**

PHOTO CREDIT: iStock International Inc.



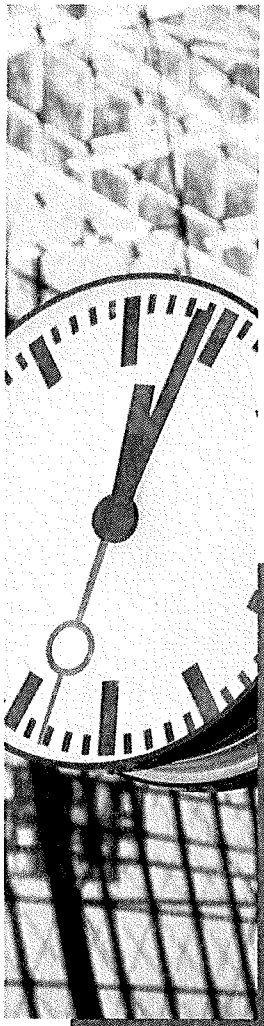
Economic Growth versus Austerity NOTE 2013

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY



Economic and Monetary Affairs

Employment and Social Affairs

Environment, Public Health and Food Safety

Industry, Research and Energy

Internal Market and Consumer Protection

Austerity, Growth and Inflation. Remarks on the Euro Area's unresolved Competitiveness Problems

NOTE

EN

2013

Austerity, Growth and Inflation. Remarks on the Euro Area's unresolved Competitiveness Problems NOTE 2013

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

Austerity, Growth and Inflation. Remarks on the Euro Area's unresolved Competitiveness Problems[1]

NOTE

Abstract

While the financial protection measures enacted by the ECB and the community of euro area members have calmed financial markets, they have left the competitiveness problem of the euro area's southern countries and France unresolved. The paper compares price inflation before the crisis with the necessary and actual price cuts that have taken place since the outbreak of the crisis, predicting a decade of stagnation for the south and inflation for the north. Keynesian demand policy is counterproductive in the south and unnecessary in the north. The necessary realignment of relative goods prices and current account imbalances can be achieved if market forces are allowed to redirect capital flows to the north instead of being artificially steered to uses they are keen to avoid..

IP/A/ECON/NT/2013-05 **January 2013**

Part of the compilation PE 492.471
for the Interparliamentary Committee Meeting **EN**

[1] This text is a summary and update of Sinn (2012), Chapters 1, 3 and 4.

This document was requested by the European Parliament's Committee on Economic and Monetary Affairs.

AUTHOR[S]

Hans-Werner SINN, Ifo Institute for Economic Research and University of Munich

RESPONSIBLE ADMINISTRATOR[S]

Rudolf MAIER
Policy Department Economic and Scientific Policy
European Parliament
B-1047 Brussels
E-mail: Poldep-Economy-Science@europarl.europa.eu

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its newsletter please write to:
Poldep-Economy-Science@europarl.europa.eu

Manuscript completed in January 2013.
Brussels, © European Union, 2013.

This document is available on the Internet at:
http://www.europarl.europa.eu/studies

DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

CONTENTS

EXECUTIVE SUMMARY 4
1. THE COMPETITIVENESS PROBLEM 5
2. ITALY 7
3. THE NECESSARY DEPRECIATIONS 8
4. THE DEVALUATIONS ACHIEVED THUS FAR 10
5. OTHER INDICATORS 12
6. TRAPPED IN THE EURO 14
7. THE EXIT OPTION 15
8. INFLATING THE CORE 16
9. STAGFLATION VS DEMAND INFLATION 18
REFERENCES 20

EXECUTIVE SUMMARY

Many European leaders have advocated growth programmes for Europe's crisis stricken countries, meaning in fact debt-financed expenditure programmes. In this note I will argue that such programmes are not the right medicine, since the euro area suffers from an internal competitiveness problem rather than a temporary lack of demand. They would provide temporary stimulus and relief, but at the expense of postponing the long-term adjustments that are needed to improve the competitiveness of the crisis-stricken countries. They are a painkiller that dampens the symptoms but does nothing to cure the underlying illness. What Europe needs is austerity in the south and inflationary growth in the north to improve the competitiveness of the south and to structurally improve the current account imbalances. However, instead of taking hectic policy actions, what this requires is simply more tolerance towards market forces that are already working in this direction.

The financial crisis has calmed down somewhat, thanks to the fact that the ESM and the ECB stand ready to buy any troubled country's government bonds if bankruptcy looms, hence shifting the burden of write-off losses, or of transfers aimed at preventing such losses, to the taxpayers of the euro area's still-solid economies. This has provided a respite, but it is not a contribution to a real solution of the euro area's problems. The real solution lies in a realignment of national price levels in the euro area that replaces the realignment by way of open appreciations and depreciations. The paper compares price inflation before the crisis with the necessary and actual price cuts that have taken place since the outbreak of the crisis.

1. THE COMPETITIVENESS PROBLEM

The unresolved problem underlying the financial crisis is the lack of competitiveness of the southern European countries and France. If anything, placating investors with taxpayer guarantees postpones the necessary painful adjustments through which competitiveness could be restored.

The lack of competitiveness was brought about by the euro itself. The announcement of irrevocable commitment to it at the Madrid Summit of December 1995, three years before its actual introduction in 1999, caused interest rates to converge, making cheap credit available to southern Europe and Ireland. The exchange rate risk that had hitherto caused huge interest spreads disappeared and the risk of state bankruptcy, which recently again caused huge interest spreads, was not yet on the radar. Both the political protection implicit in the Eurosystem, and the EU's interpretation of the Basel Accords that encouraged banks and insurance companies to gobble up southern European government bonds because no equity had to be held against such bonds, led to the risk of state bankruptcy being neglected. The upshot was an overabundance of cheap credit for southern Europe and Ireland, which fuelled an inflationary boom that initially helped the periphery to converge, but gained too much momentum and finally turned into a bubble that burst in 2007, when the American financial crisis swept over to Europe.[2]

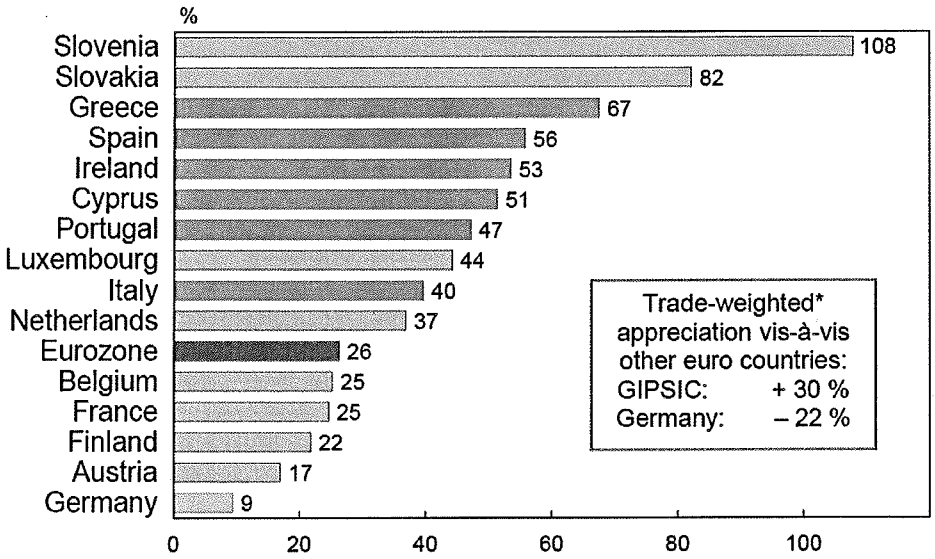
In Greece and Portugal the government sectors used the credit to raise public-sector wages and hire more public employees, while in Spain and Ireland investors borrowed to buy real estate and build houses. In the end it made no difference how the credit entered the economy. In Greece government employees built homes with their credit-financed income and in Spain the construction workers paid taxes out of their credit financed wages to the state. In addition, the Spanish state collected a property tax, whose revenue increased enormously during the real estate bubble. The other sectors benefited as well in both cases.

As is shown in Figure 1, during the bubble, from the year of the Madrid Summit (1995) to the year of the Lehman crisis (2008), the Greek price level (GDP deflator) increased by 67%, the Spanish one by 56%, the Irish one by 53%, and the Portuguese one by 47%. By comparison, the average price increase of the countries now in the euro area was 26%, while Germany's price level increased only by 9%.

However, some currencies openly depreciated and others openly appreciated before the exchange rates were irrevocably fixed. Taking both the exchange rate adjustments and the price changes into account, it turns out that Greece appreciated by 18% relative to the rest of the euro area, Spain by 22%, Ireland by 30%, and Portugal by 14%. These numbers look relatively more moderate, since the respective rest of the euro area they relate to includes many other countries that also appreciated. If the GIPSIC countries are taken together, and if both price changes and exchange rate adjustments since 1995 are considered, the total rate of appreciation relative to the rest of the euro area from 1995 to 2008 was 30%. The countries in the southern and western periphery lost their competitiveness simply by becoming too expensive.

[2] See Sinn and Koll (2000) and Sinn (2010).

Figure 1: Development of the GDP deflator from 1995 to 2008



*Including exchange rate adjustments before the introduction of the euro.

Source: Eurostat, Database, Economy and Finance, National accounts, GDP and main components - Price indices; Ifo Institute calculations.

The Balassa-Samuelson effect, which is sometimes used as an explanation, namely that a productivity increase in the traded-goods sectors translates into a wage and price increase in the non-traded goods sectors, accounts for only a very small share of all this. The true explanation is the momentum of the bubble-building process, the speed of which implied a dangerous and huge overshooting of prices.

2. ITALY

Italy was an exception of sorts. Although Italian interest rates also came down after the Madrid Summit, a boom never ignited in Italy. True, the Italian state saved more in interest payments than its value-added tax revenue, but used it for additional public expenditure. Had Italy applied the interest saved to redeem its debt, its debt-to-GDP ratio today would be just 18%. Italy absorbed only modest amounts of foreign credit in the years before the crisis and never really prospered under the euro. Together with Germany, it posted the lowest growth rate of all European countries in the pre-crisis period. Nevertheless, and somewhat surprisingly, goods prices exploded, depriving Italy of its competitiveness. From 1995 to 2008, i.e. from the Madrid Summit to the Lehman collapse, Italian prices increased by 41%. If we add to this the open revaluation of the Lira in 1996, Italian prices in terms of deutschmarks or euros increased by 55%. Relative to the rising prices in the rest of the euro area, they increased by 27%; relative to German prices, by 48%.

3. THE NECESSARY DEPRECIATIONS

All this has to be changed by turning the price watch backwards. According to a study by Goldman Sachs Economics Research (2013), based on the price level in Q3/2010, Italy will have to cut its relative price level by 5 – 15% to achieve external debt sustainability,[3] a rather modest depreciation thanks to the small size of its external debt position, which amounts to only 22% of GDP.

Steeper depreciations are needed for countries with higher external debt levels. According to the Goldman Sachs study, the relative prices of Spain, Greece and Portugal will have to come down by 25 – 35% to achieve external debt sustainability. France will have to cut its relative price level by 15 – 25%. Only Ireland would need no price adjustments to be able to service its debt. Germany, in contrast, will have to become 15 – 25% more expensive relative to the EU average to reduce its net foreign asset position to below 25% of GDP.

Table 1: Realignment needs in the euro area as of Q3/2010 relative to the euro area average*

Country	Depreciation	Average	Necessary price cut to come to par with Turkey
Portugal	25 – 35 %	30 % (20%**)	30 %
Greece	25 – 35 %	30 % (20%**)	38 %
Spain	25 – 35 %	30 % (27.5%**)	
France	15 – 25 %	20 %	
Italy	5 – 15 %	10 % (5%**)	
Country	**Appreciation**	**Average**	
Ireland	0 – 5 %	2.5 % (0%**)	
Germany	15 – 25 %	20 %	

* Based on the GDP deflator, assuming an external adjustment of the euro exchange rates so as to keep constant the overall terms of trade of the euro area vis-à-vis the rest of the world.

** As of Q3/2012, taking the rescue operations and interest-reducing policies into account.

Source: Goldman Sachs Economics Research (2013); OECD Database OECD.StatExtracts, National Accounts, PPPs and exchange rates; Ifo Institute calculations.

It should be emphasized that the Goldman Sachs figures can only be interpreted roughly as giving the depreciation necessary to achieve competitiveness. What they show is the necessary realignment to achieve external debt sustainability, in the sense that the net foreign asset or debt position, respectively, reduces to less than 25% of GDP in the long run. This obviously implies that the realignment need is smaller

[3] Goldman Sachs Economics Research (2013). It is assumed in the Goldman Sachs calculations that the average price level of the euro area relative to the rest of the world stays constant, such that any deviation in the average euro area inflation rate is automatically compensated by a change in the external value of the euro.

(i) the larger the growth rate of the country considered,

(ii) the lower the interest rate

(ii) and the larger the debt relief provided to the country in question.

Unfortunately, the new Goldman Sachs study does not inform the reader about its growth assumptions. In last year's report (Goldman Sachs Global Economics 2012), it assumed that nominal growth in Greece and Portugal was 2%; in Ireland, Spain and Italy 3%, and in Germany and France 4%. Given the realignment needs, which will be discussed further below, these figures seem overly optimistic, at least for France and Spain, if they were really used for the new Goldman Sachs study as well.

The role of interest rates is important inasmuch as they came down thanks to the interventions of the ECB and the insurance protection provided to investors by the community of euro area states. On the one hand, these interventions drove down the market rates; on the other, they took the form of public credit, which was offered at below-market conditions. Of particular importance was the Target credit provided to the crisis countries, on the order of 948 billion euros for the six crisis countries by September 2012, which is currently being made available for the private economy at an interest rate of only 0.75%.[4] The open debt relief provided to Greece in Spring 2012, together with the indirect relief through postponing and reducing interest payments, have also significantly reduced the realignment needed.

Table 1 shows in brackets the realignment needs once these public interventions are taken into account: they fall from an average of 30% to just 20% for Greece and Portugal, and from 10% to 5% for Italy. Trivially, they would be zero for all countries involved if all received a sufficient amount of debt relief through low interest rates and haircuts.

The realignment needs for France and Germany, by contrast, stayed at 20%, albeit with opposite signs. The realignment need for Spain fell from 30% to 27.5%. Somewhat surprisingly, this figure is much higher than the estimate of 20% for Spain that Goldman Sachs had published just a year ago (see Goldman Sachs Global Economics 2012). Thus, the situation in Spain is obviously considered much more pessimistic than before.

Another approach to calculate realignment needs is based on OECD purchasing power parity (PPP) comparisons with other countries, as shown by the third column of Table 1. For Greece and, to a limited extent, Portugal, Turkey might be a suitable reference, given that that country has a flexible exchange rate determined by market forces and is on a similar development level with similar products. In 2011, Greece was 61% more expensive than neighbouring Turkey; it would thus have to depreciate by 38% to regain its competitiveness. The corresponding devaluation figure for Portugal is 30%, since Portugal is 43% more expensive than Turkey. These figures are, as the table shows, roughly in line with the Goldman Sachs estimates that do not consider the impact of the rescue operations.

The realignment is necessary to achieve debt sustainability and regain competitiveness, and competitiveness is the pre-requisite for new growth. Growth through artificial Keynesian demand stimuli is not sustainable. At best it is an improvement in capacity utilization. Sustainable growth, by contrast, will only result if a country is truly competitive in the sense of being inexpensive enough, given the nature and quality of its products, to enjoy high demand for its products from abroad be an attractive business location.

[4] See Sinn and Wollmershäuser (2012a).

4. THE DEVALUATIONS ACHIEVED THUS FAR

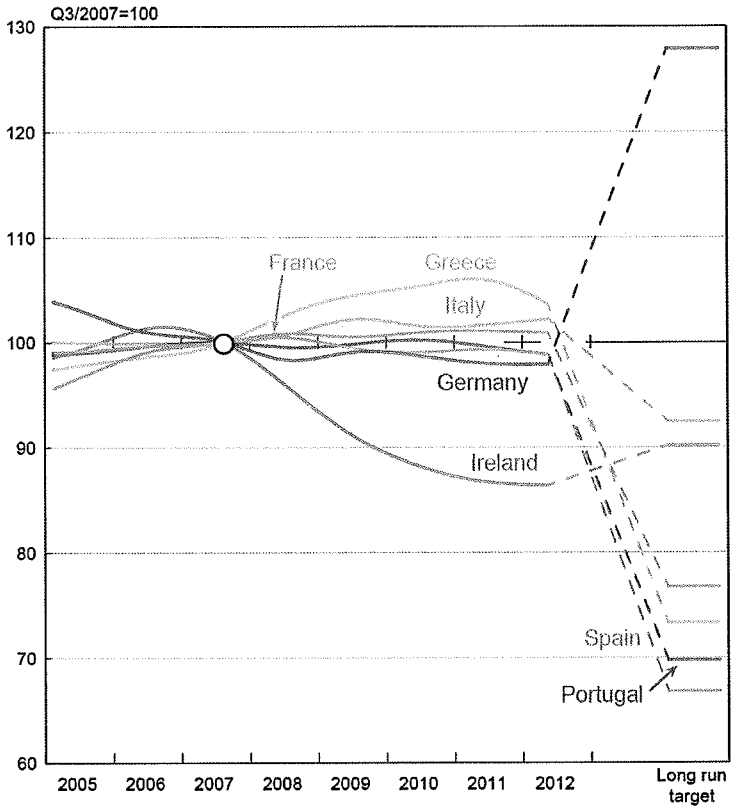
The question now is how much of the necessary realignment has already been achieved by the respective countries. The answer can be found in the Eurostat data on real exchange rates. These data basically give the GDP deflator of a country relative to a weighted average of the GDP deflator of other euro area countries. They are reported by the curves in Figure 2, where Q3/2007, the beginning of the crisis, is set equal to 100.

The chart shows that, unfortunately, not much has happened during the crisis. Most of the troubled countries either became even more expensive relative to their competitors than before, or stayed on the same relative price level. From Q3/2007 to Q2/2012, the relative Spanish and Portuguese prices fell by 1.2%. The Greek relative price level, by contrast, increased by 3.7%, which is roughly the effect of indirect tax increases.

Germany's relative price level declined by 2.1%, while France's increased by 0.9%, both moving in the wrong direction.

Only the Irish relative price level changed to a significant degree. From Q3/2007, the first quarter after the interbank market first seized up, to Q2/2012, it declined by 14%. But the Irish prices had begun to come down even earlier, after the Irish real estate bubble burst in 2006. From the peak in Q3/2006 to Q2/2012, the Irish price level fell by 15% relative to the rest of the euro area. Together with the interest relief, the rescue funds and the low-interest policy of the ECB, this realignment has turned the Irish current account deficit from strongly negative to slightly positive.

Figure 2: Real exchange rates: development and necessary realignment



Source: European Commission, Economic and Financial Affairs, Economic databases and indicators, Price and Cost Competitiveness; Goldman Sachs Economics Research (2013); Ifo Institute calculations.

Why did Ireland succeed in cutting its relative prices, while the other crisis countries failed? The answer seems to be that Ireland's bubble burst already in 2006, while the other countries lurched into their respective crises after the Lehman debacle in autumn 2008. Whereas Ireland had to help itself by instituting wage and price cuts, the other crisis-stricken countries preferred to have their financial problems solved by collective rescue operations via the ECB, EFSF and ESM. Ireland later also benefited from these operations, but it remains the only country that has managed a sizeable real depreciation.

The chart also illustrates the difference between the depreciation already achieved and the average target price level according to the Goldman Sachs study. For this purpose, the Goldman Sachs figures were recalculated so that they fit the Eurostat definition of the reference price level against which the necessary revaluations and devaluations are to be seen ("rest of euro area" instead of "euro area average"). This is the reason why the realignment percentages shown in the figure exceed those in Table 1 for the bigger countries. Plainly, Greece, Spain and Portugal have a particularly long way to go to achieve debt sustainability, but practically none of the necessary adjustment has taken place yet, despite the fact that the crisis has lasted already more than five years. To a certain extent, this also applies to France and Germany, which have to devalue and revalue, respectively, by about 20% against the average which, translated into the Eurostat definition of a real exchange rate, implies devaluations and revaluations against the respective rest of the euro area of 24% (France) or 30% (Germany).

5. OTHER INDICATORS

Instead of looking at the GDP deflator, it may also be useful to look up the Eurostat figures for export prices. However, this does not improve the picture. With the exception of Spain, in all crisis countries export prices relative to the rest of the euro area declined by even less than the GDP deflator.[5] The same was true for France, whereas in Germany export prices declined by even more than the GDP deflator. All this is bad news inasmuch as it dwarfs the hope that the true improvement in competitiveness is larger than suggested by the GDP deflator, since the Balassa-Samuelson effect may have hidden the true improvement in price competitiveness. For example, differential productivity increases in tradeables could have translated into wage increases and hence price increases of non-tradeables that compensated the reduction in the price of tradeables, hiding the true improvements in competitiveness. The fact that export prices fell by less than the GDP deflator rules this possibility out.

And although Spain is an exception, its export prices did not really come down all that much. While its GDP deflator declined by 1.2% relative to the rest of the euro area from Q3/2007 to Q2/2012, its export prices relative to the rest of the euro area declined by 2.0%, just 0.8 percentage points more than the GDP deflator.

The only thing that has improved in some crisis countries are relative unit labour costs. From Q3/2007 to Q2/2012, they came down by 8.6% in Greece, 6.2% in Portugal, and 9.9% in Spain, and increased by 1.6% in France and 1.9% in Italy. Some of these changes are larger than the respective reductions in the GDP deflators, but others even go in the wrong direction.

However, caution is called for. For one thing, unit labour cost reductions improve the competitiveness only if, and to the extent that, they reduce a country's goods prices. If they don't, they do not improve the country's competitiveness. They are instrumental variables at best, and by no means alternative measures of competitiveness as many seem to believe.

For another, unit labour costs tend to improve during a crisis simply because jobs and firms with high unit labour costs are wiped out first. The improvement of the average unit labour cost of the surviving jobs therefore may be little more than a statistical artefact.

When Germany suffered from its own euro crisis around 2003 and the Schröder government was forced to carry out painful social reforms, unit labour costs had improved due to the increasing mass unemployment that affected Germany. Some observers had regarded this as a sign of improvement, arguing that the painful wage reductions that the Schröder reforms implied would no longer be necessary. In fact, however, instead of an improvement in competitiveness, it was the destruction of low-skilled jobs with low labour productivity relative to wages that had improved the statistics.

A similar remark is appropriate for the improvements in the current accounts of the crisis countries. While everywhere exports and imports recovered after the Great Recession in 2009, in Q3/2012 exports were back on trend only in Ireland. In Spain and Portugal they were approaching the trend, but were still about 5% below it,[6] while in Greece they were 26% below trend in Q1/2011. The reason for the current account deficit improvements is primarily a strong decline in imports, which did not signal an improvement in

[5] European Commission, Economic and Financial Affairs, Price and Cost Competitiveness - Data Section, http://ec.europa.eu/economy_finance/db_indicators/competitiveness/data_section_en.html.

[6] In Q3/2012, Irish exports had reached 99% of the trend value, Spanish ones 96% and Portuguese ones 95%, trends calculated as linear trend in the period 2002 – 2007.

competitiveness but was simply a result of the recession. Declining incomes and mass unemployment constituted an income effect that necessarily reduced imports.

What southern Europe needs is not an income effect, but a substitution effect resulting from lower relative prices, because only such a substitution effect can reduce the current accounts structurally, i.e. through improvements in competitiveness rather than an increase in unemployment. Alas, as the above analysis showed, there is no evidence of such a development yet.

6. TRAPPED IN THE EURO

Given the history of economic thought about downward price stickiness, this comes as little surprise for economists. After all, both Keynes[7] and Friedman[8] alike, the two great antagonists of the field, had agreed that a real devaluation through wage and price cuts is difficult if not impossible. And there is a large body of literature showing that this is the case, and why.[9]

In some countries there is a huge gap between the austerity programmes necessary to induce sufficient price cuts to make the country competitive, and those that a society can tolerate without sliding into social unrest, if not civil war. Greek President Antonis Samaras was right when he compared Greece with the Weimar Republic.[10] When Germany was forced to cut its product prices by 23% from 1929 to 1933 by austerity programmes (Brüningsche Notverordnungen or Bruning's emergency measures), there were riots in German streets and leftwing and rightwing brigades engaged in pitched street battles. The country was indeed being driven to the brink of a civil war. What came instead in 1933 was much worse.

One of the reasons for the downward stickiness of prices and wages is the resistance of unions against unilateral wage cuts. If you start by cutting wages in one sector, the union representing that sector will object, since it fears to be the only one, so that not only the absolute but also the relative income position deteriorates. Only a coordinated wage cut in all sectors can overcome this problem, but that is hard to achieve.

Another reason for the downward stickiness is that the balance sheets of companies are distorted. When all prices fall, so do the prices of the real assets a firm owns. However, the bank debt of that firm remains unchanged. This exacerbates the risk of bankruptcy.

A similar argument applies to any private debtor who has to service his debt by using part of his income, e.g. a homeowner who is servicing his debt out of current income. An internal depreciation reduces his income in nominal terms and makes it more difficult, if not impossible, to continue servicing the debt. Thus not only firm bankruptcies but also private bankruptcies have to be expected after an internal depreciation by way of wage and price cuts.

True, the Irish example does show that some real depreciation is possible. However, in the Irish case a relative price cut of only 15% over a period of about 6 years (Q3/2006 to Q2/2012) was sufficient. It implied an absolute price reduction of just 8%.

By contrast, Greece and Portugal need a relative depreciation of 30% or more to become competitive again and be able to service their debt without foreign help. If the Turkey price comparison is used, Greece even needs a price cut of about 40%. That is quite a different order of magnitude. To achieve such cuts in relative prices one can try extreme austerity programmes to depress wages, but the result would in all likelihood be mass unemployment that tears at the very fabric of society.

In Greece, the labour market situation today is already hardly sustainable, with youth unemployment exceeding 50% and an official rate of unemployment moving towards 30%. This catastrophe results from the attempt to try the impossible.

---

7 Keynes (1960, p. 267).

8 Friedman (1976, pp. 214).

9 See for example Bewley (1999).

10 See Crawford (2012). The comparison was also made by other observers. See, e.g., Sinn (2011).

7. THE EXIT OPTION

The possibly fatal problems resulting from wage and price cuts of the order required to achieve competitiveness could be avoided by exiting the euro and devaluating the new currency formally, because that is in effect a coordinated wage and price cut relative to the prices of other countries. It would redirect demand away from imports to domestic products, increase demand for the country's exports and reduce the euro value of the country's internal debt along with the euro value of internal prices, thus avoiding the balance sheet distortion for firms and indebted private households.

True, there remains a problem with external debt denominated in euros, which would increase relative to domestic income after an open devaluation. However, an internal devaluation by cutting wages and prices brings about exactly the same problem. In both cases, the problem of unbearable foreign debt levels would have to be solved by haircuts on external debt. The advantage of an open devaluation over an internal depreciation through wage and price cuts is that it avoids the internal balance sheet distortion and circumvents union resistance.

As proposed in Sinn and Sell (2012), one could offer a country, while formally staying a euro area member, the possibility of temporarily exiting the euro to accomplish the necessary realignment via an open devaluation. If the existing euro banknotes are given to the country, and funds are provided to recapitalize its banking sector and subsidize sensible imports while some of the external debt is forgiven, this could be organized overnight with a minimal pain and prepare the ground for a quick economic recovery.

The exit option nevertheless involves some dangers. In particular, there could be contagion effects via the capital markets, of which any trained economist could paint dramatic pictures. However, in my judgment the dangers of an exit are minuscule compared to the horrors resulting from a non-exit.

Apart for the risk of social strife, I see these horrors in particular in the political contagion effect resulting from a membership guarantee. If a country can be sure that it will be kept in the euro with sufficient public support from other countries, there is an incentive for this country not to attempt the painful reforms that would be necessary for an internal depreciation. That is a sure way to perpetuate the problems.

Politicians may hope to be able to push through the necessary price and wage cuts directly by resorting to political tools. However, the history of broken treaties, rules and promises in the euro area does not bode well. There is no reason to believe that a legislated and rule-based approach will operate better in the future than in the past. The willingness to sign declarations and commitments necessary to receive the rescue funds will always be there, but once the money is in, the commitments entered into are not taken seriously any longer.

8. INFLATING THE CORE

The political problems foreseeable for a strategy of internal depreciation through price cuts, as well as the market uncertainty resulting from euro exits could be avoided if the south's real depreciation could be brought about by inflating the north.

However, inflation would have to be substantial and would create new problems for the northern countries. To illustrate this, let us assume that France succeeds in accomplishing the necessary realignment in a period of ten years of stagnation with an inflation rate of zero. Since France has to devalue by 20% against the euro area average price level, this implies that the average annual inflation rate of the euro area is 2.3%.[11] Since Germany in turn needs to appreciate by 20% against the average, it would have to inflate by 4.1% per year.[12] Spain in this case would have to deflate by 1.3% per year to realize a relative price cut by 30%. Even more demanding would be the 30% depreciation of Spain. If this is to be achieved with a decade of stagnation that keeps the Spanish price level constant, the average inflation rate in the euro area would have to be 3.6% per year, and Germany would have to inflate by 5.5% per year.

It is unclear though whether such a solution is politically feasible. There is a legal problem, given that the ECB's only mandate, according to the Maastricht Treaty, is to maintain price stability.[13] If fluctuations in relative prices in the euro area are always realized without any country being driven to deflation, average inflation would necessarily violate the Treaty. From a legal perspective, a revision of the Maastricht Treaty would be necessary to choose this policy option.

Moreover, it is unclear whether the German population would accept being deprived of their savings. Given the devastating experiences Germany made with hyperinflation from 1914 to 1923, which in the end undermined the stability of its society, the resistance against an extended period of inflation in Germany could be as strong or even stronger than the resistance against deflation in southern Europe. After all, a rate of 4.1% for German inflation for 10 years, which would be necessary to allow the necessary realignment between France and Germany without France sliding into a deflation would mean that the German price level would increase by 50% and that, in terms of domestic goods, German savers would be deprived of 33% of their wealth. If the German inflation rate were even 5.5%, which would be necessary to accommodate the Spanish realignment without price cuts, its price level would increase by 71% over a decade and German savers would be deprived of 42% of their wealth.

And although the core countries would suffer, the solution would not be comfortable for the devaluating countries either. They will unavoidably face a long-lasting stagnation with rising mass unemployment and increasing hardship for the population at large. People will turn away from the European idea and voices opting for exiting the euro will gain strength. Thus, it might be politically impossible to induce the necessary differential inflation in the euro area.

---

[11] A French devaluation of 20% means that the euro area average price index grows by 25% while French prices stay constant (because 100/125=0.8). Over a period of ten years this implies an annual average inflation rate of the euro area by 2.3%.

[12] When the European average price level increases from 100 to 125 as shown in the previous footnote and Germany revalues by 20% relative to the average, the German price level has to increase from 100 to 150, given that 150/125=1.2. Over a period of ten years this implies an annual German inflation rate of 4.1%.

[13] "Article 105: The primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 3a." (Treaty on European Union, Official Journal C 191, 29 July 1992).

Apart from that it is unclear whether the ECB would be technically able to bring about inflation in the core countries. After all, its main refinancing rate is already close to zero, indicating that the euro area is in a classical liquidity trap, where additional money creation is unable to stimulate additional demand. Japan, whose central bank had flooded the economy with money and kept the interest rate at a level of about zero since 1997, following the bursting of its own real estate bubble in 1990, shows that the risk of secular stagnation, to use a term that Alvin Hansen once coined, is all too real.[14] Such a phase would be self-destabilizing, since deflation would induce even more money hoarding, less aggregate demand and further deflation.

[14] See Hansen (1938).

9. STAGFLATION VS DEMAND INFLATION

Some politicians, such as Christine Lagarde, have argued that to bring about the required inflation in the core, the core countries should mandate higher wages through direct government actions or by encouraging unions to perform more aggressive negotiations.[15] That, however, would be counterproductive as it would bring about a stagflation, i.e. a negative supply shock driving up prices through increases in the cost of production. Such a negative supply shock would not contribute to rebalancing Europe, because it would reduce the core countries' incomes and imports, which is the opposite of what the periphery countries need to improve their competitiveness and the sustainability of their debt. Theoretically, it is not even clear whether the current accounts of the core countries would really deteriorate after a dictated wage increase.

What the euro area needs for its internal realignment is a demand-driven boom in the core countries. Such a boom would also increase wages and prices, but it would do so because of demand rather that supply effects. Such demand-driven wage and price increases would come through real and nominal income increases in the core and increasing imports from other countries, and at the same time they would undermine the competitiveness of exports. Both effects would undoubtedly work to reduce the current account surpluses in the core and the deficits in the south.

The demand-driven boom could perhaps be artificially created in the core by extensive government borrowing, the Keynesian recipe. However, apart from doubts about the efficacy of such a policy, it would be problematic insofar as it shifts the burden of the debt to future generations. From a legal perspective, the government debt-to-GDP ratio is already large, far above the admissible 60% limit stipulated in the Maastricht Treaty. Deficits would moreover violate the Stability and Growth Pact as well as the new rules of the Fiscal Compact enacted in 2012.

An alternative way to generate the necessary boom in the core is to simply let the market forces work. After years of extensive and excessive capital exports to the southern countries, investors from the north now have realized their mistake and look more towards investment in the home harbour. This is the reason for the investment and property boom that Germany has experienced since the summer of 2009 and that has accorded it an above-average growth rate since then. After years of stagnation, mass unemployment and real depreciation which called for painful social reforms (Agenda 2010) and pushed Germany's GDP per capita from second to eighth position among the euro countries in the period from the Madrid Summit to 2008, the country has profited from a rebalancing of capital flows since the middle of 2009. Finland has profited from a similar effect.

The new boom generated in the northern countries because of the reluctance of capital exporters is exactly what Europe needs for a realignment of current account deficits. In fact, since the current account balances are by definition equal to international capital flows, a rebalancing of current accounts automatically entails a rebalancing of capital flows, implying and requiring it.

During the crisis, capital markets overreacted. This induced the ECB to shift its stock of refinancing credit from north to south, inducing the national central banks of the north to provide Target credit to the south. This led to Germany's current account surplus having been entirely absorbed by the Target credit drawn from the Bundesbank in the past few years, which is a purely public capital flow. In fact, while private capital was moving back home to Germany, public capital, primarily in the form of Target credit but also of intergovernmental credit, was flowing abroad. The public credit compensated for the dearth

[15] See Vinocur and Thomas (2012).

of private capital flows from north to south, helping to finance the current account imbalances and compensating, in addition, for outright capital flight taking the form of credit stocks being called back home from south to north.[16]

It is time to end this policy. If the goal is to rebalance the current accounts, re-establish competitiveness as a prerequisite of new growth, reduce inter-country indebtedness within the euro area, a status quo that is likely to breed political tensions, public interventions that artificially reinstate capital flows from north to south should be reduced rather than expanded. It is a contradiction in terms if politicians argue that they want to reduce the current account imbalances in the euro area while, at the same time, they demand more public rescue measures that in effect replace private with public capital flows.

While public interventions into the allocative role of the capital market can be temporarily legitimated with the goal of stabilizing the economies of the south and preventing a looming crash, it is clear that, if carried out for a long period of time, they will undermine the goal of rebalancing the current accounts in the euro area and re-establishing competitiveness. This is an unavoidable policy conflict that policymakers should stop denying. They should instead acknowledge that the necessary rebalancing process of the Eurosystem will require a decade of austerity, stagnation and real devaluations in the deficit countries, coupled with an extended period of inflation in the surplus countries. It can only be hoped that the European idea will survive this strain.

[16] See Sinn and Wollmershäuser (2012a and 2012b).

REFERENCES

- Bewley, T.F. (1999), *Why Wages Don't Fall During a Recession*, Harvard University Press, Cambridge, Mass.
- Crawford, A. (2012), Samaras Says Greece Like Post-World War I Weimar Republic, *Bloomberg*, 5 October, http://www.bloomberg.com/news/2012-10-05/samaras-says-greece-like-post-world-war-i-weimar-republic.html.
- Friedman, M. (1976), *Price Theory*, Aldine Publishing Company, Chicago (1st edition 1962).
- Goldman Sachs Economics Research (2013), European Economics Analyst, 17 January, No. 03.
- Goldman Sachs Global Economics (2012), European Economics Analyst, 15 March, No. 01.
- Hansen, A. (1938), *Full Recovery or Stagnation*, Norton, New York.
- Keynes, J.M. (1960), *The General Theory of Employment, Interest and Money*, Macmillan and Company Limited, London (1st edition 1936).
- Sinn, H.-W. (2012), *Die Target-Falle,* Hanser-Verlag, München.
- Sinn, H.-W. (2011), Die griechische Tragödie, *Wirtschaftswoche*, 11 July, No. 28, p. 37. English: Greek Tragedy, *Ifo Viewpoint* 125, 27 July, http://www.cesifo-group.de/de/sinn-wiwo-20110711.html.
- Sinn, H.-W. (2010), *Rescuing Europe*, CESifo Forum Special Issue, August, pp. 1-22, http://www.cesifo-group.de/DocDL/Forum-Sonderheft-Aug-2010.pdf.
- Sinn, H.-W. and R. Koll (2000), The Euro, Interest Rates and European Economic Growth, *CESifo Forum* 1, No. 3, pp. 30–31, http://www.cesifo-group.de/DocDL/Forum300-sl1.pdf.
- Sinn, H.-W. and F. Sell (2012), Our Opt-in Opt-out Solution to the Euro Crisis, *Financial Times* 1 August 2012, p. 9, http://www.cesifo-group.de/sinn-ftimes-20130801.html.
- Sinn, H.-W. and T. Wollmershäuser (2012a), Target Loans, Current Account Balances and Capital Flows: The ECB's Rescue Facility, *International Tax and Public Finance* 19(4), pp. 468–508, http://www.cesifo-group.de/DocDL/sinn-itax-2012-target.pdf.
- Sinn, H.-W. and T. Wollmershäuser (2012b), Target Balances and the German Financial Account in Light of the European Balance-of-Payments Crisis, *CESifo Working Paper* No. 4051, December, http://www.cesifo-group.de/DocDL/cesifo1_wp4051.pdf.
- Vinocur, N. and L. Thomas (2012), IMF'S Lagarde Urges Flexibility on Euro Zone Deficits, *Reuters*, 16 October, http://uk.reuters.com/article/2012/10/16/uk-imf-lagarde-idUKBRE89F1KA20121016.

EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

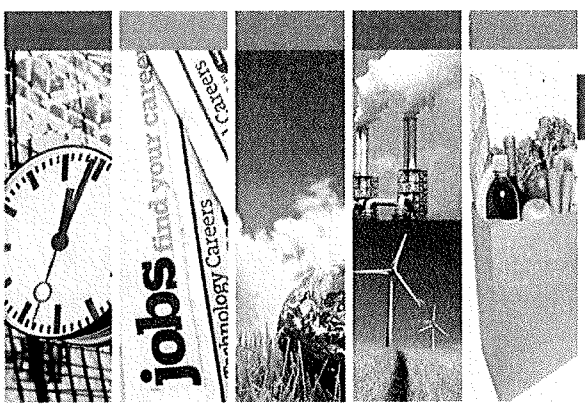
Policy Areas

- Economic and Monetary Affairs
- Employment and Social Affairs
- Environment, Public Health and Food Safety
- Industry, Research and Energy
- Internal Market and Consumer Protection

Documents

Visit the European Parliament website: **http://www.europarl.europa.eu/studies**

PHOTO CREDIT: iStock International Inc.



Summary of a Study
"An Assessment of the European Semester"

The key findings of An Assessment of the European Semester (Bruegel report) were the following[1]:

Summary of key findings:

- The definition of objectives and recommendations is not sufficiently justified by a transparent quantification of spillovers across countries, which undermines effectiveness.
- The euro area recommendations remain insufficiently linked to the logic of the common currency.
- EU recommendations lack appropriate prioritisation both across countries and across policy areas.
- The effectiveness of EU recommendations (as all ex-ante guidance) is limited by forecasting difficulties.
- The Semester process is able to deliver in terms of procedural adaptation, yet not much on actual policy compliance.
- The six-pack, the future two-pack, and the Fiscal Compact potentially create a multi-geometry EU, where the divide between euro and non-euro countries is only one of the possible cleavages in the Union.
- The complexity of the EU economic governance framework which is emerging may undermine its effectiveness and also poses questions about its legitimacy.

The role of the European Parliament:

- The Economic Dialogue introduced in the six-pack increases the role of the European Parliament, which is important for the legitimacy of the process.
- The European Parliament should make its voice heard, possibly establishing its own non-binding vote, despite having no formal role in implementing the Stability and Growth Pact and the MIP framework.
- The Economic Dialogue is an important instrument and should be exploited to its full potential; the European Parliament should use it to become an agenda-setter.
- The European Parliament could prepare a multi-year policy priorities document at the beginning of each five-year electoral mandate, to be used as a reference point in the dialogue with the Commission in particular.
- The European Parliament should also be more vocal in national debates, as the legitimacy of the European Semester is undermined by the lack of discussion of it in national and international media.

[1] Please consult the whole study for more detailed analysis at: http://www.bruegel.org/publications/publication-detail/publication/751-an-assessment-of-the-european-semester/

egov@ep.europa.eu

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

Implementation of the Stability and Growth Pact (SGP)

The corrective arm of the SGP

The **corrective arm** governs the Excessive Deficit Procedure (EDP). The EDP is triggered by the deficit breaching the 3% of GDP threshold of the Treaty. If it is decided that the deficit is excessive, the Council issues recommendations to the Member States concerned to correct the excessive deficit and gives a time frame for doing so. Non compliance with the recommendations may trigger further steps in the procedures, including for euro area Member States the possibility of sanctions. Following the revised SGP which entered into force on 13 December 2011, Member States with debt ratios above 60% of GDP should reduce their debt in line with a numerical benchmark[1].

Table: On-going Excessive Deficit Procedures (EDP)

Member State	Reference year which triggered ongoing EDP[2]	Current deadline for deficit correction (date of adoption of corresponding EDP recommendation)	Year	EC forecast - Autumn 2012[3] (under no policy change scenario[4])		
				Deficit (% of GDP)	Debt (% of GDP)	Growth (change in %)
EURO AREA COUNTRIES						
Belgium	2009	**2012** (Dec 2009)	**2012**	-3.0	99.9	-0.2
			2013	-3.4	100.5	0.7
			2014	-3.5	101.0	1.6
Ireland	2008	**2015** (Dec 2010)	**2012**	-8.4	117.6	0.4
			2013	-7.5	122.5	1.1
			2014	-5.0	119.2	2.2
Greece	2007	**2016** (Dec. 2012)	**2012**	-6.8	176.7	-6.0
			2013	-5.5	188.4	-4.2
			2014	-4.6	188.9	0.6
Spain	2008	**2014** (Jul 2012)	**2012**	-8.0	86.1	-1.4
			2013	-6.0	92.7	-1.4
			2014	-6.4	97.1	0.8
France	2008	**2013** (Dec 2009)	**2012**	-4.5	90.0	0.2
			2013	-3.5	92.7	0.4
			2014	-3.5	93.8	1.2
Italy	2009	**2012** (Dec 2009)	**2012**	-2.9	126.5	-2.3
			2013	-2.1	127.6	-0.5
			2014	-2.1	126.5	0.8
Cyprus	2009	**2012** (Jul 2010)	**2012**	-5.3	89.7	-2.3
			2013	-5.7	96.7	-1.7
			2014	-6.0	102.7	-0.7
Netherlands	2009	**2013** (Dec 2009)	**2012**	-3.7	68.8	-0.3
			2013	-2.9	69.3	0.3
			2014	-3.2	70.3	1.4
Austria	2009	**2013** (Dec 2009)	**2012**	-3.2	74.6	0.8
			2013	-2.7	75.9	0.9
			2014	-1.9	75.1	2.1

[1] For Member States that were subject to an EDP on 8 November 2011, the debt reduction benchmark is applied after a transition period.

[2] Year for which a deficit in excess of 3% of GDP was notified by the national authorities, or the year for which the national authorities notified a planned budget deficit in excess of 3%.

[3] See European Commission Autumn 2012 forecast publication, tables 1 (growth), 36 (deficit) and 42 (debt).

[4] See European Commission Autumn 2012 forecast publication, Box 1.6 (page 45) "Some technical elements behind the forecast".

Portugal	2009	**2014** (Dec 2009)	**2012**	-5.0	119.1	-3.0
			2013	-4.5	123.5	-1.0
			2014	-2.5	123.5	0.8
Slovenia	2009	**2013** (Dec 2009)	**2012**	-4.4	54.0	-2.3
			2013	-3.9	59.0	-1.6
			2014	-4.1	62.3	0.9
Slovakia	2009 (Dec 2009)	**2013** (Dec 2009)	**2012**	-4.9	51.7	2.6
			2013	-3.2	54.3	2.0
			2014	-3.1	55.9	3.0

NON - EURO COUNTRIES						
Czech Republic	2009	**2013** (Dec 2009)	**2012**	-3.5	45.1	-1.3
			2013	-3.4	46.9	0.8
			2014	-3.2	48.1	2.0
Denmark	2009	**2013** (Jul 2010)	**2012**	-3.9	45.4	0.6
			2013	-2.0	44.7	1.6
			2014	-1.7	45.3	1.3
Latvia	2008	**2012** (Jul 2009)	**2012**	-1.7	41.9	4.3
			2013	-1.5	44.3	3.6
			2014	-1.4	44.9	3.9
Lithuania	2008	**2012** (July 2009)	**2012**	-3.2	41.6	2.9
			2013	-2.8	40.8	3.1
			2014	-2.3	40.5	3.6
Hungary	2003	**2012** (Mar 2012)	**2012**	-2.5	78.4	-1.2
			2013	-2.9	77.1	0.3
			2014	-3.5	76.8	1.3
Poland	2008	**2012** (Jul 2009)	**2012**	-3.4	55.5	2.4
			2013	-3.1	55.8	1.8
			2014	-3.0	56.1	2.6
Romania	2012	**2012** (Feb 2010)	**2012**	-2.8	34.6	0.8
			2013	-2.4	34.8	2.2
			2014	-2.0	34.8	2.7
UK	2008/09	**2014/15** (Dec 2009)	**2012**	-6.2	88.7	-0.3
			2013	-7.2	93.2	0.9
			2014	-5.9	95.1	2.0

The preventive arm of the SGP

EU Member States that are currently not subject to the EDP have to fulfil, like all other Member States, the provisions of the **preventive arm** of the SGP: the stability or convergence programmes submitted to the Commission and the Council include a country-specific Medium-Term Objective (MTO) representing a budgetary position (in structural terms) that safeguards against the risk of breaching the 3% of GDP threshold over the economic cycle. The current rules of the SGP include an "expenditure benchmark" for judging progress towards the MTO, to complement the assessment based on the structural balance.[5] The Country Specific Recommendations (CSR) as adopted by the Council for each Member State includes a recommendation for reaching the MTO, except for Member States under financial assistance programmes (given that these countries focus on implementing the respective Memorandum of Understanding).

Table: MTOs for Member States not subject to an EDP

Member State	MTOs in 2012 Stability and Convergence Programmes[6]		2012 CSR relating to the preventive arm of the SGP		EC forecast - Autumn 2012[2] (under no policy change scenario[3])		
	Level of MTO (% of GDP)	Projected year of MTO achievement			Structural budget balance[7] (% of GDP)	Debt (% of GDP)	Growth (% of GDP)
EURO AREA COUNTRIES							
Germany	-0.5	2012	CSR 1	**2012**	0.2	81.7	0.8
				2013	0.3	80.8	0.8
				2014	0.3	78.4	2.0
Estonia	0	2013	CSR 1	**2012**	-0.4	10.5	2.5
				2013	-0.4	11.9	3.1
				2014	0.2	11.2	4.0
Luxembourg	0.5	beyond 2015	CSR 1	**2012**	-1.1	21.3	0.4
				2013	-0.9	23.6	0.7
				2014	-1.1	26.9	1.5
Malta	0	2016	CSR 1	**2012**	-3.5	72.3	1.0
				2013	-3.2	73	1.6
				2014	-2.8	72.7	2.1
Finland	0.5	beyond 2015	CSR 1	**2012**	-0.6	53.1	0.1
				2013	-0.1	54.7	0.8
				2014	-0.3	55.0	1.3
NON-EURO AREA COUNTRIES							
Bulgaria	-0.5	2012	CSR 1	**2012**	-0.8	19.5	0.8
				2013	-0.9	18.1	1.4
				2014	-0.6	18.3	2.0
Sweden	-1	was at its MTO	CSR 1	**2012**	0.6	37.4	1.1
				2013	0.3	36.2	1.9
				2014	0.7	34.1	2.5

[5] The concepts of expenditure benchmarks and structural balances are explained here: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf

[6] See SCPs submitted to the European Commission.

[7] See European Commission Autumn 2012 forecast publication, table 41 (structural budget balance).

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

The EU Macroeconomic Imbalance Procedure

The Macroeconomic Imbalance Procedure (MIP) is a new policy tool introduced with the so-called "six-pack"[1]. The MIP aims at preventing and correcting macroeconomic imbalances[2] in Member States, with specific attention to those macro-economic imbalances with potential spillover effects on other Member States. It relies on:

1. **An Alert Mechanism Report (AMR)**, prepared by the Commission and based on a **scoreboard**[3] of indicators and thresholds, which prompts "in-depth country reviews" by the Commission, i.e. further economic analysis aimed at determining whether macroeconomic imbalances exist or risk emerging.
2. **Preventive and corrective recommendations, as appropriate.** Possible preventive recommendations form part of the so-called "Country Specific Recommendations" addressed to each Member State and adopted annually in July. Possible corrective recommendations, if deemed necessary, take place under an Excessive Imbalance Procedure (EIP): in the case of excessive imbalances, the Member State concerned must submit an action plan with a clear roadmap and deadlines for implementing the corrective actions. The Commission keeps the Member State concerned under surveillance, on the basis of regular progress reports.
3. **Potential financial sanctions** for euro area Member States which do not follow up on recommendations under the Excessive Imbalance Procedure.

The 2012 round

For the 2012 EU Semester the Commission published in February 2012 the **first AMR.** It identified twelve Member States as warranting an "in-depth review". Member States under a financial assistance programme (EL, PT, IE and RO) were not subject to in-depth review.

In May 2012, the Commission published the twelve reviews, which examined the origin, the nature and the severity of possible macroeconomic imbalances for: Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Slovenia, Finland, Sweden, United Kingdom.

The outcomes of the twelve in-depth reviews constituted an integral part of the Country Specific Recommendations adopted by the Council in July 2012 (see Table 1 below).

The 2013 round

For the 2013 EU Semester the Commission published on 28 November 2012 the **second AMR**. The report concludes that, compared to the AMR 2012, two additional MS will be subject to in-depth review: the Netherlands and Malta (Table 2 below presents the scoreboard used for the current year). The Commission added to the scoreboard a new financial indicator, namely the growth of liabilities of the financial sector.

The Commission also published recently an analytical paper on current account surpluses in the EU, as a contribution to the current debate on this issue (see EUROPEAN ECONOMY 9|2012).

---

[1] Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances; and Regulation (EU) No 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area

[2] EC webpage on the Macroeconomic Imbalance Procedure.

[3] Scoreboard data platform: Interactive Eurostat database with updated indicators of the scoreboard and additional 'reading' indicators.

TABLE 1: MIP in 2012: Outcome of "in-depth country reviews" and the related preventive recommendations to the concerned Member States

Member State (and link to underlying document)	**Macroeconomic imbalances based on the "in-depth reviews" May 2012**	**The Country Specific Recommendations with a specific references to MIP July 2012**	Member State (and link to underlying document)
BE	"Imbalances"	CSR 1 (fiscal); CSR 4 (wages); CSR 5 (labour market); CSR 6 (competition)	**BE**
ES	"Very serious imbalances"	CSR 1 (fiscal); CSR 3 (labour tax); CSR 4 (banks); CSR 5 (labour market); CSR 8 (competition)	**ES**
FR	"Serious imbalances"	CSR 2(fiscal); CSR 4 (labour costs); CSR 5 (business environment)	**FR**
CY	"Very serious imbalances"	CSR 1 (fiscal), CSR 2 (banks); CSR 7 (competitiveness)	**CY**
IT	"Serious imbalances"	CSR 1 (fiscal), CSR 4 (labour), CSR 5 (taxes) , CSR 6 (competition)	**IT**
SI	"Serious imbalances"	CSR 3(banks); CSR 6 (business environment); CSR 7 (wages)	**SI**
FI	"Imbalances"	CSR 5 (competitiveness)	**FI**
BG	"Imbalances"	CSR 3 (employment); CSR 5 (business environment)	**BG**
DK	"Imbalances"	CSR 3 (productivity); CSR 4(competition); CSR 5 (housing)	**DK**
HU	"Serious imbalances"	CSR 1 (fiscal); CSR 3 (labour incentives); CSR 4 (labour market); CSR 5 (business environment)	**HU**
SE	"Imbalances"	CSR 2 (housing)	**SE**
UK	"Imbalances"	CSR 2 (housing); CSR 3 and CSR 6 (broad links to productivity)	**UK**

Table 2: The scoreboard for the identification of possible macro-economic imbalances

Year 2011	External imbalances and competitiveness					Internal imbalances					
	3 year average of **Current Account Balance** as % of GDP	**Net International Investment Position** as % of GDP	% Change (3 years) of **Real Effective Exchange Rate with HICP deflators**	% Change (5 years) in **Export Market Shares**	% Change (3 years) in **Nominal ULC**	% y-o-y change in deflated **House Prices**	**Private Sector Credit Flow** as % of GDP	**Private Sector Debt** as % of GDP	**General Government Debt** as % of GDP	**Unemployment rate** - 3 year average	% y-o-y Change in **Total Financial Sector Liabilities**, non-consolidated
Thresholds	**-4/+6%**	**-35%**	**±5% (EA) ± 11%**	**-6%**	**+9% (EA) + 12%**	**+6%**	**15%**	**160%**	**60%**	**10%**	**16.5%**
BE	-0.3	65.7	-0.5	-10.2	6.2	-0.1	11.6	236	98	7.8	4.7
BG	-3.4	-85.6	3.1	17.2	20.3	-9.0	-6.7	146	16	9.4	5.6
CZ	-3.0	-49.3	0.3	8.4	3.3	0.0	2.5	78	41	6.9	3.8
DK	5.0	24.5	-1.7	-16.9	4.7	-4.9	-2.2	238	47	7.0	4.7
DE	5.9	32.6	-3.9	-8.4	5.9	1.4	4.8	128	81	6.9	2.1
EE	2.8	-57.8	0.8	11.1	-6.2	3.3	6.8	133	6	14.4	-4.4
IE	0.0	-96.0	-9.1	-12.2	-12.8	-15.2	4.0	310	106	13.3	-0.6
EL	-10.4	-86.1	3.1	-18.7	4.1	-5.1	-5.5	125	171	13.2	-3.4
ES	-4.3	-91.7	-1.3	-7.6	-2.1	-10.0	-4.1	218	69	19.9	3.7
FR	-1.6	-15.9	-3.2	-11.2	6.0	3.8	4.0	160	86	9.6	7.3
IT	-2.9	-20.6	-2.1	-18.4	4.4	-2.0	2.6	129	121	8.2	3.8
CY	-8.4	-71.3	-0.9	-16.4	8.8	-8.5	16.1	288	71	6.6	-0.2
LV	3.1	-73.3	-0.6	23.6	-15.0	4.9	-2.5	125	42	18.1	-4.5
LT	0.0	-52.6	3.6	25.2	-8.4	2.4	-0.8	70	39	15.6	8.9
LU	7.5	107.8	0.8	-10.1	12.5	1.5	2.5	326	18	4.8	11.3
HU	0.6	-105.9	-3.3	-2.8	3.7	-4.1	6.4	167	81	10.7	-2.6
MT	-4.3	5.7	-3.0	11.7	5.8	-2.3	2.2	210	71	6.8	1.4
NL	7.5	35.5	-1.6	-8.2	5.8	-4.0	0.7	225	66	4.2	7.2
AT	2.2	-2.3	-1.0	-12.7	5.9	-8.0	4.1	161	72	4.4	-0.3
PL	-4.6	-63.5	-10.9	12.8	4.3	-5.7	7.1	80	56	9.2	4.4
PT	-9.1	-105.0	-1.9	-9.5	0.9	-3.6	-3.2	249	108	11.9	-0.7
RO	-4.3	-62.5	-2.4	22.8	12.9	-18.9	1.8	72	33	7.2	4.3
SI	-0.4	-41.2	-0.3	-6.1	8.3	1.0	1.9	128	47	7.1	-1.3
SK	-2.1	-64.4	4.3	20.9	4.4	-5.6	3.3	76	43	13.4	1.2
FI	0.6	13.1	-1.3	-22.9	9.1	-0.3	4.6	179	49	8.1	30.8
SE	6.6	-8.3	3.9	-11.6	1.2	1.0	6.3	232	38	8.1	3.6
UK	-2.2	-17.3	-7.1	-24.2	8.1	-5.4	1.0	205	85	7.8	8.5

Source: European Commission - ECFIN AMR 2013

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

The FISCAL MULTIPLIER in forecast models: A short summary of the recent debate

1. What is the "fiscal multiplier"?

In macro-economic models the **fiscal multiplier** is usually defined as the "percentage change in GDP" following a 1% of GDP change in government spending or taxes.

If the fiscal multiplier resulting from the model is, say, 1.4, then an increase/decrease of 1% of GDP in public expenditure would result in a percentage increase/decrease of GDP of 1.4.

However, there is no **"one standard value"** for the fiscal multiplier, valid for any economy, any model or any period. The value of the multiplier is generally determined by many factors, such as the econometric model used, the structure of the underlying economy, the nature and the duration of the fiscal change (expansion or consolidation), the composition (level of expenditures and/or revenues change) of the fiscal change, the level of public debt, the propensity to consumption and import in the economy, other monetary and financial conditions (including exchange rate) and any confidence effects.

The economic literature contains a large body of theoretical and empirical studies investigating the size of the fiscal multiplier. The concept of the fiscal multiplier originates in the traditional Keynesian theory. In this framework, a key parameter is the "marginal propensity to consume", i.e. change in consumption to the change in income. The higher this propensity, the higher is the output response to an increase in spending or a cut in taxes.

2. The discussion on the multiplier in the IMF World Economic Outlook

In October 2012[1], the IMF raised the issue of the value of the fiscal multiplier applied in its recent forecasts.

It argued that its recent forecast for economic growth was too optimistic, when compared with the actual economic growth, because the multipliers used in the forecasting models were too low. On the basis of a sample of 28 economies, the IMF empirical analysis suggested that fiscal multipliers used to generate growth forecasts for the crisis years 2010-11 were systematically underestimated by a factor of up to 3 (with the actual multiplier possibly standing at 1.7 instead of the assumed value of 0.5 used in the IMF projections).

In January 2013, the IMF published a working paper[2] providing details on the statistical analysis and further supporting the conclusions presented in the WEO. Its final paragraphs read "*However, our results need to be interpreted with care. As suggested by both theoretical considerations and the evidence in this and other empirical papers, there is no single multiplier for all times and all countries. Multipliers can be higher or lower across time and across economies. In some cases, confidence effects may partly offset direct effects. As economies recover, and economies exit the liquidity trap, multipliers are likely to*

[1] "*Are we underestimating short term fiscal multipliers?*", WEO, Box 1.1, page 41.
[2] "*Growth Forecast Error and Fiscal Multipliers*", IMF Working Paper WP/13/1.

return to their pre-crisis levels. Nevertheless, it seems safe for the time being, when thinking about fiscal consolidation, ***to assume higher multipliers than before the crisis.***

Finally, it is worth emphasizing that deciding on the appropriate stance of fiscal policy requires much more than an assessment regarding the size of short-term fiscal multipliers. Thus, our results should not be construed as arguing for any specific fiscal policy stance in any specific country. In particular, the results do not imply that fiscal consolidation is undesirable. Virtually all advanced economies face the challenge of fiscal adjustment in response to elevated government debt levels and future pressures on public finances from demographic change. The short-term effects of fiscal policy on economic activity are only one of the many factors that need to be considered in determining the appropriate pace of fiscal consolidation for any single country."

3. The views of the European Commission

In November 2012, the European Commission[3] replied stating that caution is warranted when using past forecast errors as indirect evidence for the true size of the multiplier. It agreed that recent GDP forecast for 2012 were much lower than they were 18 months earlier: e.g. for the euro-area GDP growth in 2012, the Commission had forecast +1.8% in spring 2011 compared to a forecast of -0.8% in autumn 2012.

The Commission argued that even if it is true that **fiscal multipliers are higher than usual in the current juncture** forecast errors are not due to an underestimation of the fiscal multiplier.
According to the Commission, two arguments support this opinion:

1. On the basis of the analysis of forecast and actual growth in euro-area countries, growth rates observed in 2010 were 1.0% higher than those forecast by the Commission, and growth rates observed in 2011 were slightly lower (-0.1%) than forecast.
2. If the role of the sovereign-bond yields is taken into account, the correlation between the forecast error and the changes in the fiscal stance breaks down.

Furthermore, Greece should not be included in statistical analysis because of its idiosyncrasy, especially in relation to the government-bond yields (to above 35% end 2011).

4. The contribution of the ECB

In December 2012, the ECB published a contribution[4] on the fiscal multiplier. It argued that the focus on short-term multipliers is too narrow. On the basis of **simulations**, the ECB estimates the fiscal multipliers in both the short and in the long run for 5 fiscal consolidation instruments, namely: government consumption, government investment, general transfers, labour tax and consumption tax.

The ECB concluded that fiscal consolidation has, in general, negative effect on GDP **in the short run**. The most negative effect is estimated for reduction of government investment in a scenario where the markets disbelieve the government's commitment to fully implement the consolidation measures. In the case of full credibility and lower sovereign risk premium, multipliers are much smaller.

The conclusions change over **the long run.** With the exception of public investments, consolidation instruments affect positively GDP growth, with multipliers higher for consumption and transfer than for tax instruments. If, in addition, sovereign risk premium is lower, all consolidation instruments show a positive effect on growth.

---

[3] *"Forecast errors and multiplier uncertainty"*, Autumn 2012 Forecast, Box 1.5, page 41.

[4] *"The role of Fiscal Multipliers in the current consolidation debate"*, ECB Monthly Bulletin - December 2012, Box 6, page 42.

5. Some further contributions in the public domain

- In January 2013, the **OECD** published a study[5] on the possible impact of fiscal multipliers, measured on the basis of a simulation exercise on 18 OECD economies. It concluded that fiscal multipliers differ across and within countries because the structure and behaviour of economies differ. Spending multipliers tend be larger in the short term than tax multipliers. More open and financially liberalised economies tend to have smaller multipliers. Expectation formation also matters: the more forward-looking are economic agents, the smaller the estimated multiplier. Tighter fiscal policy reduces growth in the short run in almost all circumstances, but a lower debt stock reduces pressures on real interest rates and hence in the longer term can raise sustainable output. This effect is larger for larger countries. In the current economic environment, multipliers may be larger than usual, due to heightened liquidity constraints related to problems in the banking sector and a weak economy. Limited downward flexibility in short-term interest rates also raises the expected effects on output from fiscal consolidation programmes.
- In an article appeared in October 2012 in the **Financial Times**[6], the journalist questioned the validity of the IMF argument, claiming that the number of countries selected for the analysis was too limited. An exercise aimed at replicating and evaluating the IMF's work showed that the results suggesting very large multipliers do not repeat when a different choice of countries or time period is used.
- The "**independent Annual Growth Survey**" referred to the fiscal multiplier in its first report[7] published in November 2012. This report argued that the fiscal multiplier increased as a consequence of conducting simultaneous consolidation in all Eurozone countries. On the basis of an extensive literature review, the report claims that the size of many multipliers is large, particularly for public expenditure, targeted transfers and public investments, especially when the real interest rate is close to zero. Multipliers associated to taxes are lower, especially when the economy is in downturn.
- The Internet forum on economic policies **VOX**[8] hosts a high number of contributions on the fiscal multiplier, presenting different opinions.

Disclaimer: this background note is drafted by the Economic Governance Support Unit (EGov) of the EP based on publicly available information and is provided for information purposes only. Any opinions expressed in this document are the sole responsibility of the author(s) and do not necessarily represent the official position of the European Parliament.

[5] Barrell, R., D. Holland and I. Hurst (2013), "Fiscal Multipliers and Fiscal Consolidations".
[6] "Robustness of IMF data scrutinised", FT, 12 October 2012.
[7] "independent Annual Growth Survey - First Report", Box 1, page 19, and Box 2, page 22.
[8] http://www.voxeu.org/search/node/fiscal%20multiplier

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

Key economic indicators for the euro area

	2011	2012	2012(Q1)	2012(Q2)	2012(Q3)	2012(Q3)
Output						
Economic sentiment (indicator)	101.0	89.3	*94.1*	*91.1*	*86.4*	*85.7*
Industrial confidence (balance)	0.1	-12.3	*-6.6*	*-11.1*	*-15.5*	*-15.9*
GDP *(% ch. on prev. period)*	1.4	-0.4	*0.0*	*-0.2*	*-0.1*	--
Labour productivity *(% ch. on prev. period)*	1.2	--	*0.3*	*-0.2*	*0.1*	--
Private consumption						
Consumer confidence (balance)	-14.6	-22.5	*-20.0*	*-19.7*	*-24.0*	*-26.4*
Private consumption *(% ch. on prev. period)*	0.1	-1.0	*-0.3*	*-0.5*	*-0.1*	--
Investment						
Capacity utilisation (level, %)	80.5	78.6	*79.8*	*79.7*	*77.9*	*76.8*
Gross fixed capital formation *(% ch. on prev. period)*	1.5	-3.5	*-1.4*	*-1.7*	*-0.6*	--
Labour market						
Employment *(% ch. on prev. period)*	0.3	--	*-0.3*	*0.0*	*-0.2*	--
Compensation of employees per head *(nominal, % ch. on prev. period)*	2.1	--	*0.5*	*0.2*	*0.4*	--
Unemployment expectations (balance)	23.3	38.6	*34.7*	*32.6*	*40.9*	*46.5*
Unemployment rate (% of labour force)	10.2	--	*10.9*	*11.3*	*11.5*	--
International transactions						
World trade *(% ch. on prev. period)*	5.8	--	*0.8*	*0.6*	*0.1*	--
Trade balance (merchandise, billion €)	-15.7	--	*10.5*	*20.4*	*26.2*	--
Current-account balance (billion €)	8.9	--	*21.6*	*28.0*	*17.0*	--
Prices						
Consumer inflation expectations (balance)	25.8	24.9	*25.7*	*23.1*	*25.3*	*25.4*
Headline inflation *(HICP, % ch. on prev. year)*	2.7	2.5	*2.7*	*2.5*	*2.5*	*2.3*
Monetary and financial indicators						
Nominal interest rates (3 month)	1.39	0.57	*1.04*	*0.69*	*0.36*	*0.20*
Nominal interest rates (10 year)	2.65	1.57	*1.88*	*1.54*	*1.42*	*1.43*
Loans to households *(% ch. on prev. year)*	1.6	--	*0.6*	*0.2*	*0.0*	--
Nominal effective exchange rate *(% ch. on prev. period)*	-0.2	-5.4	*-2.6*	*-1.3*	*-2.4*	*2.1*

Source: DG ECFIN, accessed 22.01.2013

egov@ep.europa.eu

EUROPEAN PARLIAMENT

European Semester for GROWTH & JOBS

Involvement of the National Parliaments in SCP and the NRP - 2012

In line with the relevant regulations[1], national parliaments should be duly involved in the European Semester and in the preparation of Stability/Convergence Programmes (SCP) and National Reform Programmes (NRP) in order to increase the transparency, ownership and accountability for the decisions taken. According these EU rules, each Member States' Stability or Convergence Programme shall include information on its status in the context of national procedures, in particular whether the programme was presented to the national parliament and whether there has been a parliamentary approval of the programme.

The draft table below provides information on the form of involvement of the national parliaments as specified in the text of the respective SCPs and the NRPs in 2012. On the basis of the information available in these Programmes, it can be concluded that in terms of the SCPs, 12 national parliaments were consulted and 6 were informed, while in the case of 6 national parliaments, no information could be found on their roles in the procedure.[2] As far as NRPs concerned, the submitted text indicates that 7 governments consulted their national parliaments and 4 submitted their programmes to their legislators. 13 Member States' NRPs do not contain any reference to the involvement of their national parliaments.

	Stability and Convergence Programmes (SCP)	National Reform Programmes (NRP)
Belgium	No reference to the involvement of the National Parliament could be found in the Programme.	"The National Reform Programme was also discussed in the parliament."
Bulgaria	"The convergence Programme is approved by the government and is examined by the National Assembly."	"The elaboration and implementation of the National Reform Programme of the Republic of Bulgaria is carried out within the framework of a specially established and functioning Working Group "Europe 2020"... in which the state administration and all the stakeholders are represented"
Czech Republic[3]	"The document was also discussed with the substantively relevant committees of the Chamber of Deputies and the Senate of the Parliament of the Czech Republic."	The update of the National Reform Programme for 2012 was discussed by the European affairs committees of both parliamentary chambers.
Denmark	No reference to the involvement of National Parliament could be found in	"Denmark's National Reform Programme 2012 has been submitted to a number of

[1] See recital (16) of 1175/2011 and art. 3.4 of 1466/97

[2] Please note that the programme countries (Ireland, Greece and Portugal) have no obligation to submit a comprehensive SCP or NRP.

[3] According to the information received from the Czech Representative to the EP, the Czech NRP was discussed, after its submission to the Commission, by the European Affaires Committee of both parliamentary chambers of the Czech Parliament.

	the Programme.	committees in the Danish Parliament prior to being forwarded to the Commission."
Germany	"The Federal Government submits each update of the German Stability programme and the corresponding Council Opinion to the competent committees of experts of the German Bundestag, the Finance Ministers' Conference and the Stability Council."	"The NRP was approved by the Federal cabinet on 21 March 2012 and subsequently submitted directly to the German Bundestag and Bundesrat."
Estonia	The Government approved the State Budget Strategy 2013-2016 and the Stability Programme 2012 on 26 April 2012. Before the approval, the documents were discussed in the Committees of the Riigikogu.	"The progress report and necessary updates are discussed with the social partners and relevant commissions of Estonia every year."
Ireland	Programme countries are not required to submit a fully fledged SP.	Programme countries are not required to submit a fully fledged NRP.
Greece	Programme countries are not required to submit a fully fledged SP.	Programme countries are not required to submit a fully fledged NRP.
Spain	No reference to the involvement of the National Parliament could be found in the Programme.	No reference to the involvement of the National Parliament could be found in the Programme.
France	This Stability Programme has been examined by the Finance Commissions of both chambers.	No reference to the involvement of the National Parliament could be found in the Programme.
Italy[4]	Italy's Stability Programme was adopted by the Cabinet on 18 April 2012 -and according to the EN version- endorsed by the Parliament on 26 April.	No reference to the involvement of the National Parliament could be found in the Programme.
Cyprus	"In line with the standard national procedure, this Programme is the product of consultations with political parties and social partners."	"The Planning Bureau monitors the on-going progress and coordinates the submission of reports to the EU, after appropriate political approval. It organizes public consultations with social partners on the overall priorities and progress, informs the Parliament and promotes publicity through the media."
Latvia	The Convergence Programme as a policy planning document has been approved by the Cabinet of Ministers, presented and reviewed by relevant parliamentary committees.	No reference to the involvement of the National Parliament could be found in the Programme.

[4] According to the information received from the Italian Representative to the EP, both the SP and the NRP were scrutinized and endorsed in a form of resolution by the Italian Parliament on 26 April.

Lithuania	"Traditionally the draft Convergence Programme or the Programme approved by the Government of the Republic of Lithuania is submitted to the Seimas of the Republic of Lithuania for consideration."	No reference to the involvement of the National Parliament could be found in the Programme.
Luxembourg	"Consultation debate on 29 March, 2012 in Parliament on the NRP, as well as on the guidelines for budgetary policy in light of the European Semester."	"Consultation debate on 29 March, 2012 in Parliament on the NRP, as well as on the guidelines for budgetary policy in light of the European Semester."
Hungary[5]	No reference to the involvement of the National Parliament could be found in the Programme.	No reference to the involvement of the National Parliament could be found in the Programme.
Malta	No reference to the involvement of the National Parliament could be found in the Programme.	No reference to the involvement of the National Parliament could be found in the Programme.
The Netherlands	"The 2012 update of the Dutch Stability Programme was approved by the Dutch Council of Ministers on April 23rd 2012 and discussed in Dutch Parliament on April 26th 2012."	"The National Reform Programme will be presented to the House of Representatives before it is submitted to the European Commission. The Minister of Economic Affairs, Agriculture and Innovation and a parliamentary committee had a written procedure on April 25th 2012 to discuss the National Reform Programme."
Austria	"Together with the National Reform Programme, the Stability Programme is submitted to the Council of the European Union, the European Commission, the Austrian Parliament, the Social Partners and the Partners in the Financial Equalisation negotiations."	"Together with the National Reform Programme, the Stability Programme is submitted to the Council of the European Union, the European Commission, the Austrian Parliament, the Social Partners and the Partners in the Financial Equalisation negotiations."
Poland	"The Convergence Programme 2012 update shall be subject to discussion by Polish parliamentary committees."	No reference to the involvement of the National Parliament could be found in the Programme.
Portugal	Programme countries are not required to submit a fully fledged SP.	Programme countries are not required to submit a fully fledged NRP.
Romania[6]	No reference to the involvement of the National Parliament could be found in the Programme.	No reference to the involvement of the National Parliament could be found in the Programme.

[5] According to the information received from the Hungarian Representative to the EP, on 2 May 2012, an ex post consultation was held with the Hungarian Parliament on both the CP and the NRP.

[6] According to the information received from the Romanian Representative to the EP, the NRP was debated in a conference in the Romanian Parliament on 30 March 2012. It was also discussed by the European Affaires Committee on a meeting held on 3 May 2012.

Slovenia	"Stability programme and its updates and the draft opinion of the Council on the Stability programme of the Republic of Slovenia are discussed in the working bodies of the Parliament of the Republic of Slovenia."	"National Reform Programme 2012-2013 was discussed on Economic and Social Council, at the National Assembly Committee for Finance and Monetary Policy, Committee of the National Assembly of the Economic Affairs, Committee of the National Assembly of Education, Science, Culture, Sports and Youth, Committee of the National Assembly of Labour, Family, Social Affairs and the Disabled, the National Assembly Committee of European Affairs, at a meeting of the Commission of the National Council for Economy, Crafts, Tourism And Finance and at the meeting of the National Council."
Slovakia	"The Stability Programme, once approved by the Government, is submitted to the Slovak Parliament."	No reference to the involvement of the National Parliament could be found in the Programme.
Finland	"The contents of the Stability Programme have also been presented in writing and orally to the Grand Committee of Parliament. The Commission's assessment and the Council's statement on Finland's Stability Programme will be submitted to Parliament in connection with Ecofin preparations."	No reference to the involvement of the National Parliament could be found in the Programme.
Sweden	"The Riksdag's Standing Committee on Finance was informed about the convergence programme on 19 April 2012."	No reference to the involvement of the National Parliament could be found. in the Programme.
United Kingdom	"Under Section 5 of the European Communities (Amendment) Act 1993, Parliamentary scrutiny is required to approve the Government's assessment of the UK's medium-term economic and budgetary position. This forms the basis of the UK's Convergence Programme."	"Substantial engagement with national Parliaments and the wider public is critical to the success of Europe 2020. The Government consults widely on policy development as a matter of course. Since the NRP draws on publicly available information, it is not subject to formal consultation."

COMISIÓN
EUROPEA

Bruselas, 30.11.2012
COM(2012) 777 final/2

Corrigendum
Annule et remplace le document COM(2012) 777 final du 28.11.2012.
.

COMUNICACIÓN DE LA COMISIÓN

Un Plan director para una Unión Económica y Monetaria profunda y auténtica

Apertura de un debate europeo

UN PLAN DIRECTOR PARA UNA UEM PROFUNDA Y AUTÉNTICA:

Apertura de un debate europeo

1. Fundamentación, aspiraciones y beneficios de la UEM

Según los Tratados, el objetivo de la Unión Europea es promover la paz, sus valores y el bienestar de sus pueblos. La Unión obrará en pro del desarrollo sostenible de Europa basado en un crecimiento económico equilibrado y en la estabilidad de los precios, en una economía social de mercado altamente competitiva, tendente al pleno empleo y al progreso social, y en un nivel elevado de protección y mejora de la calidad del medio ambiente. Fomentará la cohesión económica, social y territorial y la solidaridad entre los Estados miembros. La Unión Europea establecerá una unión económica y monetaria (UEM) cuya moneda es el euro (véase el artículo 3 del TUE).

La creación de la Unión Económica y Monetaria (UEM) y la introducción del euro han sido hitos de la integración europea. Destacan entre los logros más notables de la UE y el euro es uno de los símbolos de Europa, tanto a nivel interno como a escala mundial. Los fundadores de la UEM tenían grandes aspiraciones tanto económicas como políticas con la moneda única. Algunas de estas aspiraciones ya se han hecho realidad, otras en cambio quedan pendientes de realización.

Como segunda moneda de reserva mundial, el euro es un elemento esencial de la economía global. Se encuentra integrado en los balances de todo el mundo. Su existencia ha contribuido a abrir el mercado interior a más de 330 millones de ciudadanos que viven en la zona del euro, al hacer posible comparaciones inmediatas de los precios de los bienes y servicios entre los distintos países. Al eliminar el riesgo del tipo de cambio y los costes de las operaciones extranjeras, el euro también facilita una distribución más eficaz de los recursos, y hace que los precios de bienes y servicios entre los distintos países sean totalmente transparentes. En nuestro mundo electrónico interconectado, esta nivelación de las condiciones del mercado único es una herramienta poderosa para el crecimiento. El euro ha facilitado el comercio de forma palpable entre los países de la zona del euro y también ha promovido la inversión física y financiera entre los Estados miembros. La estabilidad de la moneda ha hecho de la zona del euro un destino atractivo para la inversión. Estos beneficios para el comercio y la inversión han impulsado el crecimiento y el empleo. El alto grado de liquidez aportado por el Eurosistema ha contribuido a resolver problemas en el mercado interbancario durante un período de perturbaciones e incertidumbre financieras. La zona del euro es una construcción dinámica y abierta. A pesar de la crisis, la pertenencia a la zona del euro, compuesta por 17 Estados miembros y destinada a seguir creciendo en el futuro, sigue siendo un proyecto atractivo: Eslovaquia ingresó en la moneda única en enero de 2009 y Estonia se adhirió en enero de 2011.

Puntos débiles de la concepción inicial de la UEM y observancia de las normas

Cuando estalló la crisis financiera en 2008, algunos Estados miembros de la zona del euro habían acumulado cuantiosas deudas públicas y privadas, pérdidas de competitividad y desequilibrios macroeconómicos. Todo ello les hacía particularmente vulnerables cuando se desencadenó la crisis y provocó un gran efecto de contagio en toda la zona del euro una vez que se transformó en una crisis de la deuda soberana. La acumulación de estos problemas se debió en parte a la falta de observancia y respeto de las normas acordadas que constituyen la base de la UEM, como se establece en el Pacto de Estabilidad y Crecimiento (PEC). En buena parte, estos puntos débiles procedían de las características

de la configuración institucional original de la UEM, en particular de la falta de una herramienta para abordar sistemáticamente los desequilibrios macroeconómicos.

La UEM es única entre las uniones monetarias modernas pues combina una política monetaria centralizada con una responsabilidad descentralizada para la mayoría de las políticas económicas, aunque sujeta a restricciones por lo que se refiere a las políticas presupuestarias nacionales. A diferencia de otras uniones monetarias, no presenta una función centralizada de política fiscal ni una capacidad fiscal centralizada (presupuesto federal)[1]. Desde la introducción del euro ha quedado claro que la interdependencia creciente de sus Estados miembros significaba que la aplicación de políticas económicas y presupuestarias sanas revestía especial importancia. El PEC[2] establecía las normas que rigen la coordinación de las políticas presupuestarias y preveía la medidas que se debían adoptar contra los Estados miembros que no las cumplieran. Se creía que esta coordinación sería suficiente para asegurar la solidez de las políticas a nivel nacional. Ya en 2008, el informe UEM@10[3] de la Comisión expuso una serie de posibles modificaciones de este marco. La crisis aceleró la necesidad de introducir cambios.

Los problemas que se exponen a continuación son los retos principales a los que se ha enfrentado la zona del euro desde 2008:

a) Los Estados miembros no cumplieron suficientemente el PEC, que carecía de mecanismos sólidos para garantizar unas finanzas públicas sostenibles. La aplicación de la vertiente preventiva del PEC, que dispone que los Estados miembros mantengan una sólida posición presupuestaria subyacente, fue demasiado débil y los Estados miembros no aprovecharon los períodos de crecimiento constante para aplicar unas políticas fiscales ambiciosas. Al mismo tiempo, el criterio de deuda expuesto en el Tratado no resultaba operativo en la práctica en la vertiente correctora del Pacto de Estabilidad y Crecimiento. El resultado fue la existencia de desviaciones presupuestarias durante las épocas de bonanza y una incapacidad de reducir los niveles de deuda de los países fuertemente endeudados.

b) La coordinación de las políticas económicas nacionales más allá del ámbito presupuestario dependía de instrumentos laxos (presión interpares y recomendaciones), y su incidencia en la acción de los distintos Estados miembros de la zona del euro fue escasa. Así pues, el instrumento era demasiado débil para contrarrestar el crecimiento progresivo de las brechas de competitividad y el aumento de las divergencias entre los Estados miembros. No se tuvieron suficientemente en cuenta los efectos indirectos de las medidas nacionales en la zona del euro. La política económica nacional prestó una atención deficiente al contexto europeo en el que operan las economías. A ello contribuyó la ausencia generalizada de riesgos derivada de un exceso de liquidez en la economía mundial.

---

1 En este texto, el adjetivo «fiscal» se utiliza en el sentido de «presupuestario».

2 El marco político de la UEM consta de una serie de disposiciones detalladas del Tratado, que a) establecen que el Banco Central Europeo (BCE) es una autoridad monetaria independiente para la zona del euro; b) elaboran un conjunto de reglas que rigen la conducta de las políticas presupuestarias nacionales (como el procedimiento de déficit excesivo, la prohibición de financiación monetaria y el acceso privilegiado, así como la denominada cláusula de «no corresponsabilidad financiera»); y c) rigen la supervisión de las políticas económicas en términos más generales en los Estados miembros.

3 http://ec.europa.eu/economy_finance/publications/Publication_summary12680_en.htm

c) Los mercados financieros desempeñan un papel importante en la creación de incentivos para que los países mantengan unas finanzas públicas sostenibles, al incluir el cálculo del riesgo de impago en el tipo de interés al que los emisores soberanos pueden pedir prestado dinero. Con la disminución mundial de la presión inflacionista a finales de los años noventa, los bancos centrales impulsaron una expansión rápida y sostenida de la oferta monetaria. Junto con los nuevos enfoques relativos a la transferencia de riesgos en el sistema financiero, ello se tradujo en un exceso de liquidez a escala mundial, una búsqueda constante de rentabilidad y, en última instancia, un grave riesgo de manipulación de los precios de los activos, tanto públicos como privados. Paralelamente, con la introducción del euro, el Banco Central Europeo (BCE) confió en los bonos nacionales para sus operaciones de mercado abierto, lo que les confirió el marchamo de máxima calidad requerido para el colateral del Banco Central. El resultado fue una fuerte convergencia de la rentabilidad, lo que limitó considerablemente la disciplina de mercado, a pesar de las diferencias en los resultados presupuestarios nacionales. Ello contribuyó, entre otras cosas, a las cuantiosas inversiones en bonos soberanos realizadas por los bancos. Las economías de la zona del euro, que se encontraban en un ciclo expansionista y presentaban tasas de inflación relativamente más elevadas, mostraban una tendencia a disfrutar de tipos reales de interés bajos o incluso negativos. Ello provocó en algunos países una fuerte expansión del crédito que alimentó notables burbujas inmobiliarias.

d) La puesta en marcha de la UEM fue testigo de una notable aceleración del ritmo de integración financiera. Aunque ello generó oportunidades para la diversificación de la cartera, también aceleró la transmisión de las perturbaciones a través de las fronteras nacionales. A pesar de la mayor integración de los mercados, la responsabilidad de la supervisión cautelar y la gestión de las crisis se mantuvo fundamentalmente a una escala nacional. Esta asimetría entre los mercados financieros integrados, por un lado, y una arquitectura de estabilidad financiera aún segmentada por fronteras nacionales, por otro, dio lugar a la falta de coordinación entre las autoridades competentes en todas las fases de la crisis actual. La ausencia de normas comunes y de instituciones de supervisión y resolución para el sector financiero en toda la zona del euro constituyó un gran problema a la hora de reaccionar ante la crisis. La falta de un marco integrado a escala de la UE y de un mecanismo que mutualizase la respuesta a los riesgos procedentes del sector bancario que afectan a varios o a todos los Estados miembros dio lugar a espirales negativas perniciosas y poderosas entre el sistema bancario y las emisiones soberanas en los países vulnerables. Estas espirales alimentaron aún más la crisis de la deuda y provocaron la inversión de los flujos de capital. Como consecuencia de ello, algunos Estados miembros quedaron excluidos de la financiación del mercado y se produjo un riesgo de contagio que afectó a toda la zona del euro. En este contexto, la ausencia de un mecanismo eficaz que aporte liquidez a los Estados miembros y, de ese modo, gestione el riesgo de contagio y salvaguarde la estabilidad financiera de la zona del euro se convirtió en una clara deficiencia de los mecanismos de gestión de las crisis.

Aunque la UE ha tomado medidas decisivas para hacer frente a estos grandes desafíos, la UEM debe profundizarse aún más. Este Plan director para una UEM profunda y auténtica describe los elementos necesarios y los pasos que se han de dar en pos de la plena unión bancaria, económica, fiscal y política.

2. Medidas tomadas hasta ahora: una respuesta a la crisis

Al enfrentarse a la crisis, la Comisión ha desempeñado un papel de primer orden a la hora de preservar el mercado único frente a las tendencias proteccionistas emergentes y a la fragmentación con arreglo a las fronteras nacionales, especialmente en el sector bancario; de revisar la gobernanza económica de la UEM con el fin de abordar las deficiencias de supervisión económica y presentar propuestas legislativas de calado para iniciar la reforma de la supervisión del sector financiero; de garantizar la coordinación a nivel de la UE y la supervisión del salvamento de los bancos; y de actuar como punta de lanza en el apoyo a la economía real en el contexto del Plan Europeo de Recuperación Económica.

El fuerte apoyo del Parlamento Europeo ha sido esencial para que estas iniciativas pudiesen abrirse camino rápidamente y para que las propuestas legislativas entrasen en vigor con celeridad. En 2010, el grupo operativo creado por el Presidente del Consejo Europeo para reforzar la gobernanza económica permitió que los Estados miembros pudiesen consensuar rápidamente sus posiciones en apoyo de las propuestas de la Comisión. Las frecuentes reuniones del Consejo Europeo se han traducido en importantes compromisos y avances significativos por parte de los Estados miembros en respuesta a la crisis de Europa.

Todos los Estados miembros de la zona del euro y la mayoría de los demás países se han comprometido a incorporar las normas y principios de la UE en materia de supervisión presupuestaria a sus respectivos marcos jurídicos nacionales en aplicación del Tratado de Estabilidad, Coordinación y Gobernanza en la Unión Económica y Monetaria (TECG), firmado por todos los países de la UE excepto la República Checa y el Reino Unido en marzo de 2012. La creación de un cortafuegos financiero para la zona del euro y las decisiones sucesivas de aumentar su tamaño y la flexibilidad de sus operaciones y de hacerlo permanente han reforzado en gran medida la capacidad de gestión de la crisis.

2.1 Supervisión presupuestaria

La Comisión presentó una estrategia para reforzar la gobernanza económica en Europa en sus comunicaciones de 12 de mayo de 2010 y 30 de junio de 2010[4]. Tras estas comunicaciones se presentó un paquete de propuestas legislativas adoptadas por la Comisión el 29 de septiembre de 2010.

Gracias a la eficaz cooperación interinstitucional, el proceso legislativo avanzó con rapidez y el marco europeo de supervisión económica y presupuestaria se actualizó en diciembre de 2011 con la adopción de un paquete de seis propuestas legislativas (conocido como el *six-pack*) destinado a abordar los puntos débiles puestos de manifiesto por la crisis económica y financiera. Constaba de tres reglamentos que reforzaban el marco europeo de supervisión presupuestaria (el PEC), dos reglamentos que establecían un nuevo procedimiento de vigilancia de los desequilibrios

---

4 Véanse las Comunicaciones de la Comisión de 12 de mayo de 2010 (COM(2010) 250 final) y 30 de junio de 2010 (COM(2010) 367 final), y su paquete de seis propuestas legislativas (*six-pack*) de 29 de septiembre de 2010 (COM(2010) 522 a 527 final).

macroeconómicos y una Directiva por la que se establecían las normas mínimas del marco presupuestario nacional de los Estados miembros.

El paquete legislativo reforzó drásticamente la vertiente preventiva del PEC mediante la introducción de una norma que vincula el crecimiento del gasto a la tasa de crecimiento a medio plazo del PIB potencial. La legislación también introdujo la posibilidad de imponer sanciones en una fase temprana del proceso. Los países se enfrentarán ahora a la posibilidad de tener que constituir un depósito con devengo de intereses equivalente al 0,2 % del PIB si su situación presupuestaria subyacente no es lo suficientemente sólida. La nueva legislación contempla también medidas más firmes para subsanar los errores políticos de bulto en la vertiente correctiva del PEC y una nueva disposición cuantificada que obliga a los Estados miembros que superen el umbral de deuda previsto en el Tratado de Maastricht a reducir el exceso rápidamente. A partir de ahora el procedimiento de déficit excesivo (PDE) puede ponerse en marcha tanto en caso de evolución desfavorable de la deuda pública como de un déficit público elevado. La introducción de la norma de la mayoría cualificada inversa refuerza significativamente la influencia de la Comisión en las decisiones relativas a la imposición de sanciones a los Estados miembros de la zona del euro. Mientras que en el pasado estas decisiones requerían el apoyo de una mayoría cualificada en el Consejo, en el futuro se exigirá la mayoría cualificada para suspender la sanción propuesta por la Comisión.

El *six-pack* también incluía la adopción de una Directiva en la que se definen los requisitos mínimos para los marcos presupuestarios nacionales destinados a garantizar que dichos marcos estén en condiciones de respetar las normas de la UE. Este concepto de garantizar que los procesos decisorios nacionales establezcan estrategias coherentes con los requisitos europeos también es un elemento nuclear del Tratado intergubernamental de Estabilidad, Coordinación y Gobernanza en la Unión Económica y Monetaria (TECG). Los Estados miembros de la zona del euro signatarios se han comprometido a integrar los principios básicos del PEC directamente en sus ordenamientos jurídicos nacionales a través de disposiciones de carácter vinculante y permanente que incluirán un mecanismo nacional de corrección supervisado por una organismo independiente de control con objeto de garantizar el cumplimiento de los objetivos presupuestarios en la vertiente preventiva del Pacto. Aunque se trata de un instrumento intergubernamental, el TECG prevé integrar sus disposiciones en la legislación de la Unión en un plazo de cinco años. La Comisión ya está trabajando con el Parlamento Europeo y el Consejo para integrar algunos de los elementos del TECG en la legislación de la UE aplicable a los Estados miembros de la zona del euro a través de las propuestas legislativas conocidas con el nombre de *two-pack* que se encuentran actualmente en pleno proceso decisorio de la UE.

Los dos Reglamentos que integran el *two-pack* fueron propuestos por la Comisión en noviembre de 2011 y su objetivo es reforzar tanto la coordinación como la supervisión presupuestaria con vistas a una prevención más focalizada y una intervención correctiva más efectiva en caso de que se produzcan desviaciones de las obligaciones de política presupuestaria que emanan del PEC. Todos los Estados miembros de la zona del euro presentarán a la Comisión y a sus socios de la zona del euro antes de su aprobación parlamentaria sus proyectos de planes presupuestarios para el año siguiente con arreglo a un calendario común. El *two-pack* también refuerza los procedimientos de supervisión y vigilancia para los Estados miembros que experimenten graves dificultades con respecto a su estabilidad financiera o reciban ayuda financiera.

2.2 Vigilancia de las políticas económicas

Una de las mayores deficiencias de las medidas de vigilancia que se aplicaban antes de la crisis era la falta de vigilancia sistemática de los desequilibrios macroeconómicos y de la evolución de la competitividad. Si bien esta evolución se analizaba en el marco de los informes de la Comisión sobre los Estados miembros, incluidos los dictámenes sobre los programas de estabilidad y convergencia, y en los estudios informales bienales sobre la competitividad de la zona del euro, no había ningún instrumento formal para su análisis sistemático ni daba lugar posteriormente a recomendaciones políticas concretas. El *six-pack* introdujo un nuevo procedimiento de desequilibrios macroeconómicos (PDM) para subsanar esta deficiencia: un nuevo mecanismo de supervisión destinado a prevenir los desequilibrios macroeconómicos e identificar y permitir la corrección en el momento oportuno de cualquier divergencia de competitividad que pudiera surgir. Se basa en un sistema de alerta que utiliza un cuadro de indicadores y estudios en profundidad para identificar los desequilibrios y poner en marcha el nuevo procedimiento de desequilibrio excesivo (PDE) en caso necesario. Este nuevo procedimiento está respaldado por disposiciones de ejecución en forma de sanciones financieras para los Estados miembros de la zona del euro que no lo cumplan.

Los distintos componentes de vigilancia económica, presupuestaria y estructural también se integraron plenamente como resultado de los cambios introducidos desde el comienzo de la crisis que dio lugar al establecimiento del Semestre Europeo. Aunque estos componentes se evaluaban anteriormente por separado, su vigilancia se lleva ahora a cabo en paralelo durante los seis primeros meses de cada año civil, lo que permite a los Estados miembros tomar en consideración las orientaciones específicas para cada país en sus procesos presupuestarios nacionales a lo largo de los seis meses siguientes. Se brinda asesoramiento estratégico a los Estados miembros antes de que ultimen sus proyectos de presupuesto para el año siguiente.

2.3 Reglamentación y supervisión financieras

Durante los últimos cuatro años, la Unión Europea ha adoptado iniciativas decisivas en el ámbito de la reglamentación y la supervisión financieras y se está aplicando un ambicioso y sustancial programa de reforma financiera. Con ello se pretende que las entidades y los mercados financieros, que han estado en el centro de la crisis, sean más estables, competitivos y flexibles. El presidente de la Comisión pidió a Jacques de Larosière, antiguo director gerente del FMI y gobernador del Banco de Francia, que presentase un informe exhaustivo sobre las medidas adecuadas. Sobre la base del informe de Larosière, la Comisión propuso un programa exhaustivo de reforma de la reglamentación financiera.

En el marco de la cuarta Directiva sobre requisitos de capital y del Reglamento sobre requisitos de capital (CRD4/CRR), que actualmente son objeto de debate, se ha propuesto exigir a los bancos unos requisitos prudenciales más estrictos. Por primera vez, los requisitos de adecuación de capital quedarán consagrados en un Reglamento y no en una Directiva. La adopción del Reglamento sobre los requisitos de capital constituirá un avance significativo hacia la consecución de un código normativo único para las entidades financieras de la Unión Europea. La UE también ha tomado medidas en el ámbito de la gobernanza mediante la introducción de normas vinculantes en materia de prácticas de retribución para evitar que los bancos asuman riesgos excesivos.

La UE ha endurecido la supervisión de los mercados financieros mediante la creación de un Sistema Europeo de Supervisores Financieros (SESF), compuesto por tres Autoridades Europeas de

Supervisión (AES) –la Autoridad Bancaria Europea (ABE), la Autoridad Europea de Seguros y Pensiones de Jubilación (AESPJ) y la Autoridad Europea de Valores y Mercados (AEVM)– y por un órgano de control macroprudencial, la Junta Europea de Riesgo Sistémico (JERS). Las tres AES trabajan conjuntamente con las autoridades nacionales de supervisión de los Estados miembros para garantizar la armonización de las normas y la aplicación rigurosa y coherente de los nuevos requisitos. La JERS vigila las amenazas a la estabilidad del sistema financiero en su conjunto y hace posible que se subsane cualquier deficiencia en el momento adecuado.

La AEVM se encarga de la supervisión de las agencias de calificación crediticia, que desempeñaron un papel importante en el desencadenamiento de la crisis. La legislación adoptada en 2012 velará por que todos los derivados extrabursátiles normalizados se compensen en cámaras de negociación centralizadas, reduciendo así el riesgo de impago de las contrapartes. Además, todos los derivados normalizados que cuenten con liquidez suficiente se negociarán en plataformas reguladas una vez que se adopte la legislación propuesta por la Comisión. La cuestión de las ventas en corto ya se ha abordado con la adopción de instrumentos legislativos que fomentan la transparencia.

2.4 Mecanismos de resolución de las crisis

Un elemento clave del planteamiento para la resolución de la crisis fue la creación de un mecanismo de resolución de las crisis que abordase la fragilidad del mercado financiero y redujese el riesgo de contagio entre los Estados miembros. A iniciativa de la Comisión, en mayo de 2010 se establecieron dos mecanismos temporales para resolver la crisis: el Mecanismo Europeo de Estabilización Financiera (MEEF) y la Facilidad Europea de Estabilización Financiera (FEEF). El MEEF es un instrumento de apoyo financiero respaldado por los recursos del presupuesto de la UE, disponibles para la totalidad de los 27 Estados miembros de la Unión Europea, y basado en el actual marco de los Tratados. La FEEF es una empresa propiedad de los Estados miembros de la zona del euro, constituida en Luxemburgo, cuyo funcionamiento está regulado en un acuerdo intergubernamental. La capacidad de préstamo de la FEEF está respaldada exclusivamente por las garantías de los Estados miembros participantes, y solo pueden acceder a ella los Estados miembros de la zona del euro.

Ante el empeoramiento de la crisis, los Estados miembros de la zona del euro dotaron a los mecanismos de ayuda existentes de mayor robustez y flexibilidad y finalmente decidieron crear un mecanismo permanente de resolución de las crisis para proteger mejor la estabilidad financiera de la zona del euro y de sus Estados miembros. Como consecuencia de ello, el Mecanismo Europeo de Estabilidad (MEDE), un mecanismo permanente de protección financiera de la zona del euro, se puso en marcha finalmente el 8 de octubre de 2012 y se encuentra plenamente operativo tras la finalización del proceso de ratificación del Tratado MEDE por todos los Estados miembros de la zona del euro. El MEDE es la institución financiera internacional con una mayor capitalización y el mayor cortafuegos regional del mundo (500 000 millones EUR). Su creación es un paso clave para garantizar que la zona del euro disponga de la capacidad necesaria para salvar del impago a los Estados miembros que experimenten dificultades financieras. El 27 de noviembre de 2012, el Tribunal de Justicia confirmó que el Tratado MEDE se ajusta al Derecho vigente de la UE[5].

---

5 Sentencia de 27 de noviembre de 2012 en el asunto C-370/12 Pringle. El Tribunal confirmó también la validez de la Decisión 2011/199/UE del Consejo Europeo, que modifica el artículo 136 del TFUE, así

El BCE ha desempeñado un papel crucial en la respuesta de la zona del euro a la crisis económica y financiera. En primer lugar, el tipo oficial de refinanciación ha disminuido casi hasta cero, a medida que la economía se ralentizaba. Además, el BCE ha tomado una serie de medidas para afrontar los efectos de la crisis sobre el funcionamiento de los mercados financieros, en un momento en que la actividad del mercado interbancario se había estancado prácticamente. Uno de los primeros de estos efectos fue el agotamiento de la financiación al por mayor de los bancos, en un contexto de preocupación por la calidad de los activos en sus balances. El BCE reaccionó ante esto ampliando el acceso de los bancos a las operaciones de política monetaria a través de una relajación de las normas sobre garantías tanto para las operaciones habituales de refinanciación como para la provisión urgente de liquidez. En mayo de 2010, el Eurosistema puso en marcha el Programa para los Mercados de Valores (PMV) comprando bonos del Estado en intervenciones limitadas y esterilizadas. Cuando las dificultades de financiación se intensificaron en el segundo semestre de 2011, amenazando la estabilidad financiera de toda la zona del euro, el BCE ofreció a los bancos acceso a operaciones de refinanciación a plazo excepcionalmente largo (LTRO) con plazos de vencimiento de hasta tres años (en comparación con el plazo de vencimiento máximo de tres meses con arreglo a los procedimientos habituales). Los tres cupos de LTRO tuvieron una gran repercusión sobre la confianza de los inversores y aliviaron sustancialmente la presión que se iba acumulando en los mercados de financiación. Aunque a muchos bancos les sigue resultando problemático acceder a financiación mayorista, recientemente se ha observado una moderación gradual de las condiciones en estos mercados, en particular en el caso de los grandes bancos.

La expansión de la crisis a los mercados de deuda soberana y la aparición de espirales negativas entre bancos y emisiones soberanas ha dado lugar a una mayor fragmentación del sistema financiero de la zona del euro y a la aparición del denominado «riesgo de redenominación» vinculado a los temores sobre la reversibilidad del euro. El BCE ha adoptado una decisión como base para llevar a cabo operaciones monetarias de compraventa (OMC) en los mercados secundarios de deuda soberana siempre que se cumplan unas condiciones estrictas[6]. El objetivo es garantizar la correcta transmisión de la posición estratégica del BCE a la economía real en toda la zona del euro y garantizar la unidad de la política monetaria. Las operaciones se realizarían estrictamente con arreglo al mandato del BCE de mantener la estabilidad de los precios a medio plazo. Para llevar a cabo las operaciones monetarias de compraventa es imprescindible que se cumplan de manera estricta y efectiva las condiciones que lleva aparejadas el programa del Fondo Europeo de Estabilización Financiera / Mecanismo Europeo de Estabilidad (FEEF/MEDE). Siempre que se cumplan plenamente las condiciones del programa, el Consejo de Gobierno del BCE se planteará la posibilidad de realizar operaciones monetarias de compraventa en la medida en que estén justificadas desde una perspectiva de política monetaria. Se pondrá término a estas operaciones cuando se hayan alcanzado sus objetivos o en caso de incumplimiento del programa de ajuste macroeconómico o preventivo. La liquidez generada por las operaciones monetarias de compraventa quedará plenamente esterilizada. El anuncio del programa de

---

como que los Estados miembros pueden proceder a la celebración y a la ratificación del Tratado MEDE antes de la entrada en vigor de esa Decisión.

6 Comunicado de prensa del BCE de 6 de septiembre de 2012 sobre las características técnicas de las operaciones monetarias de compraventa: http://www.ecb.int/press/pr/Fecha/2012/html/pr120906_1.en.html

OMC, que sustituye al programa más limitado para los mercados de valores, ha tenido un gran impacto en la confianza de los inversores, con la consiguiente caída del rendimiento de la deuda soberana de los Estados miembros vulnerables.

Se ha remozado la UEM, pero el trabajo aún no ha finalizado

La totalidad de las medidas adoptadas hasta la fecha constituye una respuesta contundente a la crisis, particularmente en comparación con lo que se consideraba políticamente factible hace solo algunos años. La introducción de muchas de estas medidas, como la revisión de los instrumentos de coordinación de las políticas económicas y presupuestarias o el cortafuegos financiero permanente, ha llevado su tiempo. Asimismo, para que algunas de estas medidas incidan positivamente en la confianza, será preciso que estén en funcionamiento durante algún tiempo. Esta es una de las razones por las que, a pesar de que haber dado una respuesta contundente, no se ha podido evitar que la crisis de la deuda soberana se haya convertido en una crisis de confianza que amenaza con poner en cuestión la integridad de la propia zona del euro.

Otro factor subyacente ha sido el desfase entre la drástica aceleración de la integración financiera en el marco de la UEM, por una parte, y el progreso relativamente lento de la integración de la reglamentación y supervisión financieras a nivel de la UE, por otra.

La falta de instituciones supranacionales sólidas a escala de la UE en materia de supervisión bancaria hizo que la gestión de la crisis resultase mucho más difícil y costosa para el contribuyente de lo que hubiera sido sin esa carencia. Lo que es más importante, a falta de tales instituciones, la crisis de confianza, combinada con la ausencia de una gobernanza apropiada del sector financiero (arquitectura reglamentaria, de control y de resolución) y la consiguiente respuesta de las autoridades públicas basada en el interés nacional, desembocó en una nueva fragmentación de los mercados financieros, ya que la fijación de precios en función del riesgo basada en las obligaciones nacionales de referencia dio lugar a unas condiciones muy diferentes de financiación para las empresas y los particulares en los distintos Estados miembros de la zona del euro, eliminando así muchos beneficios de la integración financiera europea.

Esto ha constituido una rémora adicional para el crecimiento en algunos Estados miembros, ya que las condiciones crediticias se endurecieron especialmente allí donde la actividad era ya escasa, lo que exacerbó la interacción negativa existente entre los bancos y la deuda soberana en los Estados miembros afectados, limitó aún más su capacidad para salir de la crisis creciendo y, en última instancia, repercutió en su capacidad de refinanciarse por sí mismos en los mercados y en la necesidad potencial de ayuda financiera. Por el contrario, las condiciones crediticias se relajaron más en aquellos Estados miembros en los que la actividad ya era relativamente fuerte.

La falta de unas instituciones sólidas integradas a escala de la UE ha dado lugar efectivamente a la reversión de la integración y ha causado daños a la igualdad de condiciones para las empresas y los particulares por el mero hecho de estar situados a uno u otro lado de la frontera entre dos Estados miembros de la zona del euro. Empresas prácticamente idénticas, distantes unos pocos kilómetros y situadas a ambos lados de una frontera, ya no pueden financiar sus inversiones en condiciones comparables. A un lado de la frontera la inversión puede estancarse y el desempleo crecer, puesto que las condiciones crediticias no son viables. Al otro lado, los costes de inversión y el desempleo pueden bajar hasta nuevos mínimos en ese mismo momento. Esto mismo se aplica a las condiciones de

financiación para los particulares. Esta evolución divergente, ajena a las magnitudes económicas fundamentales y a las necesidades de los ciudadanos y las empresas, puede obstaculizar todo el proyecto de integración europea.

En última instancia, la interacción negativa en bucle entre la deuda soberana y los bancos y la consiguiente nueva fragmentación de los mercados financieros de la UE dio lugar a la aparición de un riesgo de redenominación y la apuesta de los operadores de los mercados financieros de que esta evolución acabaría poniendo en peligro la existencia de la moneda única.

De forma anacrónica, más de 50 años después de la fundación de la Unión Europea, la crisis de confianza parece estar restableciendo la capacidad de constricción de las fronteras nacionales, poniendo en duda el mercado único y amenazando los logros de la Unión Económica y Monetaria y sus aspiraciones todavía incumplidas. Esto supone también una amenaza para el modelo de economía social de mercado de la Unión Europea.

La experiencia adquirida desde 2008 en el contexto de la crisis económica, financiera y de la deuda soberana ha impulsado una profunda reforma de la gobernanza económica de la Unión Económica y Monetaria, que ya se ha reflejado en medidas sin precedentes. Este remozamiento ha hecho que la UEM sea mucho más sólida que cuando se inició la crisis. Esta ha demostrado claramente lo mucho que ha crecido la interdependencia de nuestras economías desde la fundación de la UEM. También ha demostrado más allá de toda duda que el éxito o el fracaso de la UEM será un éxito o un fracaso para todos los implicados.

Sin embargo, la amenaza que supone la crisis de confianza es mucho más fundamental. Por lo tanto, exige una respuesta mucho más fundamental. Esa respuesta debe ser capaz de restablecer la confianza en que los logros del mercado único y la moneda única no desaparecerán y que sus objetivos aún pendientes se alcanzarán y persistirán en el futuro para los ciudadanos y las empresas.

Para ser eficaz y creíble, la respuesta debe, en primer lugar, hacer frente a las dificultades prácticas urgentes con que se enfrentan actualmente los ciudadanos, las empresas y los Estados miembros. Una unión bancaria podría poner fin a la desintegración de los mercados financieros de la UE y garantizaría la igualdad razonable de las condiciones de financiación para los particulares y las empresas de toda la UE; ayudaría a romper los bucles de interacción negativa entre los Estados miembros y los bancos; y contribuiría a velar por que las divergencias entre los ciclos económicos en toda la zona del euro no se amplifiquen artificialmente. En segundo lugar, la respuesta debe establecer la perspectiva de una UEM integrada más profundamente como meta para el futuro. Y, en tercer lugar, debe diseñar un camino claro y realista hacia esa meta final, basado en el compromiso firme de las instituciones de la UE y de sus Estados miembros.

3. El camino a seguir: combinar la ambición sustancial con un calendario apropiado

La UEM se enfrenta a un reto fundamental, en particular en lo que se refiere a la zona del euro, y hay que reforzarla para garantizar el bienestar económico y social de cara al futuro. El Consejo Europeo de junio de 2012 invitó al presidente del Consejo Europeo, en estrecha colaboración con el presidente de la Comisión, el presidente del Eurogrupo y el presidente del BCE, a presentar un plan de trabajo específico y sujeto a un calendario para la consecución de una verdadera UEM. Se presentó un informe provisional al Consejo Europeo de octubre y se deberá entregar un informe final en diciembre de 2012. El 20 de noviembre, el Parlamento Europeo adoptó su informe «Hacia una auténtica Unión Económica y Monetaria», en el que esboza sus preferencias con vistas a una UEM integrada más profundamente. La propuesta de la Comisión del camino a seguir se describe en este Plan director.

Se necesita una visión global de una UEM profunda y auténtica que conduzca a una arquitectura fuerte y estable en los ámbitos financiero, fiscal, económico y político y que sirva de base para la estabilidad y la prosperidad. En esa UEM profunda y auténtica todas las grandes decisiones de política económica y fiscal de sus Estados miembros deberían ser objeto de una coordinación, un respaldo y una vigilancia más estrechos al nivel europeo. Estas políticas deben cubrir también la fiscalidad y el empleo, así como otros ámbitos políticos cruciales para el funcionamiento de la UEM. Esa UEM también debería sustentarse en un capacidad fiscal autónoma y suficiente que permita apoyar con eficacia las opciones políticas resultantes del proceso de coordinación. Una parte correspondiente de las decisiones relativas a los ingresos, los gastos y la emisión de deuda debería ser objeto de una toma y ejecución de decisiones conjunta a nivel de la UEM.

Está claro que la actual UEM no puede realizarse de la noche a la mañana mediante una transformación en una versión profunda y plenamente integrada, en particular teniendo en cuenta la importante transferencia adicional de competencias políticas del nivel nacional al europeo. Con el fin de llegar a una UEM que pueda garantizar a sus ciudadanos la estabilidad, la sostenibilidad y el bienestar de forma permanente, es necesario poner en marcha a corto plazo (en los próximos 6 a 18 meses) unas medidas decisivas en pos de ese objetivo. A continuación, esas medidas deberán ir seguidas de otras a medio y largo plazo. Las medidas que han de adoptarse a corto, medio y largo plazo deben complementarse entre sí y ser cada una consecuencia de la anterior.

El camino a seguir debe sopesarse cuidadosamente. Las medidas en aras de una mayor responsabilidad y disciplina económicas deben combinarse con una mayor solidaridad y ayuda financiera. Este equilibrio debe alcanzarse en paralelo y durante todas las fases de la evolución de la UEM. La integración más profunda de la normativa financiera, las políticas fiscales y económicas, y los instrumentos correspondientes debe ir acompañada de una integración política correlativa que garantice la legitimidad y responsabilidad democráticas.

En el presente capítulo se señalan las medidas y acciones necesarias a corto, medio y largo plazo, con el fin de llegar a una UEM genuina y auténtica con carácter permanente, desde una coordinación política más firme, pasando por la capacidad fiscal, hasta una mayor puesta en común de las decisiones sobre ingresos públicos, gastos y emisión de deuda.

Algunos de los instrumentos pueden adoptarse dentro de los límites de los Tratados actuales. Otros exigirán modificaciones de los Tratados actuales y nuevas competencias para la Unión. Así pues, los primeros pueden avanzar a corto plazo y deberían estar finalizados a más tardar a medio plazo. Los

segundos solo pueden iniciarse a medio plazo y concluirse a largo plazo. No obstante, debe quedar claro que el concepto en su conjunto forma un todo en que cada fase se basa en la anterior.

A corto plazo (en los próximos 6 a 18 meses), si bien hay que dar prioridad inmediata al pleno desarrollo de los nuevos instrumentos de gobernanza económica introducidos por el *six-pack*, así como a la rápida adopción de las propuestas actuales de la Comisión como el *two-pack* y el mecanismo único de supervisión, aún se puede avanzar más mediante el Derecho derivado, en particular en el ámbito de la coordinación de la política económica y el apoyo a las reformas estructurales necesarias para superar los desequilibrios y mejorar la competitividad. Cuando se haya adoptado una decisión sobre el próximo marco financiero plurianual (MFP) de la UE, la creación de un instrumento financiero en el presupuesto de la UE para apoyar el reequilibrio, el ajuste y, por consiguiente, el crecimiento de las economías de la UEM, contribuiría desde la fase inicial al establecimiento de una mayor capacidad fiscal, junto con unos mecanismos de coordinación política integrados más profundamente. Ambos, el próximo paso en la coordinación de las políticas económicas y fiscales y la correspondiente fase inicial del desarrollo de una capacidad fiscal podrían adoptar la forma de un «instrumento de convergencia y competitividad». Tras la adopción del mecanismo único de supervisión se propondrá un mecanismo único de resolución para los bancos.

A medio plazo (de 18 meses a 5 años), será necesario establecer una mayor coordinación presupuestaria (incluida la posibilidad de exigir una revisión de un presupuesto nacional de conformidad con los compromisos europeos), la ampliación de la coordinación más profunda de las políticas en el ámbito de la fiscalidad y el empleo, y la creación de una verdadera capacidad fiscal para que la UEM apoye la ejecución de las opciones políticas derivadas de esa coordinación más profunda. Algunos de estos elementos exigirán modificar los Tratados.

La reducción de la deuda pública que supere considerablemente el criterio del Tratado podría abordarse mediante la creación de un fondo de amortización. La emisión común por los Estados miembros de la zona del euro de deuda pública a corto plazo con un plazo de vencimiento de hasta 1 a 2 años podría impulsar la integración de los mercados financieros de la zona del euro y, en particular, estabilizar los volátiles mercados de deuda pública. Ambas posibilidades exigirían modificar los Tratados.

Por último, a largo plazo (más allá de 5 años), basándose en la progresiva puesta en común de soberanía y, por lo tanto, de las competencias de responsabilidad y solidaridad a escala europea, debería ser posible la creación de un presupuesto autónomo para la zona del euro que dote de capacidad fiscal a la UEM para ayudar a los Estados miembros a amortiguar los choques. Asimismo, un marco de gobernanza económica y fiscal profundamente integrado podría permitir una emisión común de deuda pública, que mejoraría el funcionamiento de los mercados y la gestión de la política monetaria. Según se establece en el Libro Verde de la Comisión de 23 de noviembre de 2011, sobre la viabilidad de la introducción de bonos de estabilidad[7], la emisión común de bonos podría crear nuevos medios mediante los cuales los gobiernos financiaran su deuda y ofrecer oportunidades de inversión segura y líquida para los ahorradores y las instituciones financieras, así como un mercado de

---

7 COM(2011)818.

obligaciones integrado a escala de la zona del euro equiparable al del dólar estadounidense en términos de tamaño y liquidez.

Esta progresiva integración de la zona del euro hacia la plena unión bancaria, fiscal y económica exigirá pasos paralelos hacia una unión política con más legitimidad y responsabilidad democráticas.

El progreso en términos de integración también deberá reflejarse de cara al exterior, en particular a través de medidas para una representación económica exterior unida de la zona del euro.

Recuadro 1: Principios jurídicos básicos

Con el fin de garantizar la sostenibilidad de la moneda común, la UEM ha de tener la posibilidad de profundizar de forma más rápida y exhaustiva que la UE en su conjunto, al tiempo que se preserva la integridad de la UE en general.

Esto puede lograrse a través de la observancia de los siguientes principios:

En primer lugar, la profundización de la UEM debe basarse en el marco institucional y jurídico de los Tratados, por razones de legitimidad, equidad entre los Estados miembros y eficiencia. La zona del euro es un producto de los Tratados. Su profundización deberá realizarse desde dentro de los Tratados, con el fin de evitar cualquier fragmentación del marco jurídico, que debilitaría a la Unión y socavaría la importancia primordial de la legislación de la UE para la dinámica de la integración. Únicamente las normas de toma de decisiones de la UE ofrecen plena eficiencia, al basarse en la mayoría cualificada, en lugar de hacerlo en engorrosos requisitos de unanimidad, y en un sólido marco democrático.

Por consiguiente, las soluciones intergubernamentales solo deben considerarse con carácter excepcional y transitorio, cuando una solución de la UE exija una modificación del Tratado, y hasta que se lleve a cabo esa modificación. También deben concebirse cuidadosamente a fin de respetar el Derecho y la gobernanza de la UE y de que no planteen nuevos problemas de responsabilidad.

En segundo lugar, la profundización de la UEM debe aprovechar principal y plenamente el potencial de los instrumentos a escala de la UE, sin perjuicio de la adopción de medidas específicas para la zona del euro. El Semestre Europeo, el acervo del mercado interior y el apoyo a la competitividad y la cohesión a través del presupuesto de la UE proporcionan una buena base para el desarrollo de un marco jurídico y financiero de gran alcance de cara a la coordinación económica, la integración y la convergencia real. Los actuales esfuerzos para lograr que estas políticas sean más eficaces mediante, por ejemplo, las condiciones macroeconómicas de los fondos estructurales o el nuevo enfoque de la gobernanza del mercado único contribuirán también a la consolidación de la UEM.

Al mismo tiempo, habrá que establecer una coordinación financiera, fiscal y estructural adicional o unos instrumentos de apoyo específicos de la zona del euro siempre que sea necesario y concebirlos como un complemento de los cimientos de la UE. El Tratado de Lisboa ha proporcionado una base jurídica adecuada (artículo 136 del TFUE) para profundizar en la integración de la zona del euro. Esta base jurídica ha sido un método ampliamente utilizado en el *six-pack* y el *two-pack*.

Cuando sea jurídicamente posible, las medidas de la zona del euro deben estar abiertas a la participación de otros Estados miembros. En efecto, mientras que los Tratados prevén que una serie de normas solo se apliquen a los Estados miembros de la zona del euro, la actual configuración de dicha zona tiene carácter temporal, ya que todos los Estados miembros menos dos (Dinamarca y Reino Unido), están destinados a convertirse en miembros de pleno derecho de la UEM en virtud de los Tratados.

En tercer lugar, el progreso hacia una UEM auténtica debe realizarse principalmente utilizando todas las posibilidades que ofrecen los Tratados vigentes, a través de la adopción de legislación derivada. Solo se deben plantear modificaciones de los Tratados cuando una acción indispensable para mejorar el funcionamiento de la UEM no pueda llevarse a cabo dentro del marco jurídico actual. Los posibles cambios deben prepararse cuidadosamente, con el fin de garantizar el respaldo político y democrático necesario para un proceso de ratificación sin sobresaltos.

3.1 A corto plazo (en los próximos 6 a 18 meses): medidas posibles con arreglo al Derecho derivado de la UE para avanzar hacia la unión bancaria, mejorar la coordinación de las políticas, tomar un decisión sobre el próximo MFP y crear un «instrumento de convergencia y competitividad»

La profundización de la UEM debe abordar las consecuencias de la acumulación excesiva de deuda pública y privada, y, de este modo, reducir los desequilibrios que se generaron en la economía europea. Pero el ajuste está resultando ser una tarea larga y difícil, que implica restricciones de la oferta de crédito, pone en jaque a las finanzas públicas, y debilita el crecimiento del sector privado, mientras las empresas y las familias sanean su situación financiera.

El compromiso con la disciplina presupuestaria constituye una garantía esencial de la estabilidad de la zona del euro y un paso necesario hacia un marco presupuestario completamente integrado. De este modo se garantizarán unas políticas presupuestarias sólidas a nivel nacional y europeo y, así, se contribuirá al crecimiento sostenible y la estabilidad macroeconómica. La máxima prioridad debe ser el pleno despliegue de las nuevas herramientas de supervisión económica y presupuestaria y la rápida adopción de las propuestas actuales. Paralelamente, los avances hacia una unión bancaria deben empezar con la adopción y aplicación de las propuestas presentadas en materia de reglamentación y supervisión financieras, especialmente la propuesta de mecanismo único de supervisión (MUS) para la zona del euro y para los Estados miembros no pertenecientes a esta que deseen participar.

Con objeto de garantizar un buen funcionamiento de la UEM, deben hacerse más esfuerzos en el ámbito de la coordinación de las políticas económicas. El peso del reto del crecimiento y el ajuste en la zona del euro contrasta con la ausencia de formas firmes de coordinación política en el ámbito de las reformas estructurales. Las pruebas de la existencia de grandes externalidades transnacionales exigen reforzar la manera en que debe dirigirse la política económica en la zona del euro. El correcto funcionamiento de la UEM exige que los Estados miembros de la zona del euro trabajen conjuntamente hacia una política económica en la que, al tiempo que se basan en los mecanismos existentes de coordinación de las políticas económicas, emprendan las acciones y medidas necesarias en todos los ámbitos esenciales para el buen funcionamiento de la zona del euro. En particular, es necesario establecer un procedimiento para el debate *ex ante* de todas las grandes reformas de política

económica. Esto debe contar con el apoyo de la correspondiente fase inicial de la creación de capacidad fiscal de la UEM, que facilite ayuda financiera dirigida a los Estados miembros que se enfrenten a dificultades de ajuste.

Haciéndose eco de la importancia de las finanzas públicas saneadas, la reforma estructural y las inversiones orientadas al crecimiento sostenible, el 28 y 29 de junio de 2012 los Jefes de Estado o de Gobierno firmaron un Pacto por el Crecimiento y el Empleo que demuestra su determinación de alentar la creación de empleo en paralelo a su compromiso de lograr unas finanzas públicas saneadas. La Comisión también está controlando las repercusiones de las fuertes restricciones presupuestarias sobre el gasto público generador de crecimiento y sobre la inversión pública. En este contexto, la zona del euro debería garantizar que la inversión se mantenga al nivel adecuado con el fin de garantizar unas condiciones marco para la evolución de la competitividad y contribuir al crecimiento y el empleo.

Todas las iniciativas presentadas en la presente sección pueden adoptarse a corto plazo y dentro de los límites de los Tratados vigentes.

3.1.1 Plena aplicación del Semestre Europeo y del *six-pack*, y acuerdo y aplicación rápidos del *two-pack*

La realización y aplicación plenas del actual marco de gobernanza económica deben ser el primer punto del orden del día.

La introducción del Semestre Europeo así como de la legislación del *six-pack* han tenido en cuenta la principal experiencia adquirida en el contexto de la crisis. Incluían una reforma del PEC, la creación del procedimiento de desequilibrio macroeconómico (PDE) y la introducción de estándares mínimos para los marcos presupuestarios nacionales. Representan un salto adelante en términos de coordinación de la política económica. Son una promesa de aplicación más firme de las políticas a nivel nacional, en particular en los Estados miembros de la zona del euro, y, como consecuencia de ello, de un mejor funcionamiento de la UEM que contribuirá así a una recuperación de la confianza. Ahora hay que cumplir esa promesa haciendo un uso pleno de los nuevos instrumentos que ya existen y aplicándolos con firmeza.

Para que los nuevos pasos hacia una UEM profunda y auténtica sean posibles, los colegisladores deben llegar sin más demora a un acuerdo sobre la legislación propuesta en el *two-pack*. Este contiene instrumentos importantes para reforzar la supervisión presupuestaria y resolver con mayor eficiencia las situaciones de inestabilidad financiera en los Estados miembros. Su rápida adopción y posterior aplicación deberían reforzar la confianza en el compromiso de las instituciones de la UE de llevar a cabo el remozamiento de la gobernanza económica.

3.1.2 Reglamentación y supervisión financieras: código normativo único y propuestas para un mecanismo único de supervisión

La cumbre de la zona del euro celebrada el 29 de junio de 2012 marcó un punto de inflexión en el enfoque de la crisis. Reconoció la necesidad «imperiosa» de «salir del círculo vicioso entre bancos y deuda soberana», que debilita las finanzas de los países de la zona del euro hasta el punto de poner en peligro la propia existencia de la UEM. En particular, el acuerdo para establecer un mecanismo único

de supervisión (MUS) se basó en la convicción de que hay que superar la fragmentación financiera y de que la centralización de la supervisión bancaria es necesaria para que todos los países de la zona del euro puedan confiar plenamente en la calidad e imparcialidad de la supervisión bancaria.

En efecto, la creación de una verdadera unión económica y monetaria debe incluir una responsabilidad compartida del control de las actividades del sector bancario e intervenir en caso de crisis. Esta es la única forma de romper el círculo vicioso que une las finanzas públicas de los Estados miembros y la salud de sus bancos, y de limitar las repercusiones transfronterizas negativas.

Un marco financiero integrado, que evolucionase con el tiempo hasta convertirse en una plena unión bancaria, ayudaría de forma decisiva al proporcionar un conjunto integrado de herramientas para controlar y limitar mejor el riesgo en el sistema financiero. Esto rebajaría la fragmentación financiera y reduciría considerablemente la necesidad de intervención pública, reequilibrando las ayudas y mejorando de este modo las perspectivas de crecimiento. Los instrumentos se integran para reducir el impacto de la debilidad de cualquiera de sus componentes. Aunque algunas piezas necesarias del sistema tardarán en desarrollarse, esto no debe retrasar la rápida aplicación de aquellos elementos que puedan aportar ventajas inmediatas.

En su Comunicación de 12 de septiembre de 2012[8], la Comisión expuso su visión de una instauración gradual de la unión bancaria. Los presidentes del Consejo Europeo, la Comisión, el Eurogrupo y el BCE han respaldado en principio esta visión[9]. El Consejo Europeo de 18 de octubre de 2012 confirmó que es «preciso que avancemos hacia un marco financiero integrado, abierto en la medida de lo posible a todos los Estados miembros que deseen participar en él»[10]. El Parlamento Europeo, en su informe «Hacia una auténtica Unión Económica y Monetaria», de noviembre de 2011, pide que se adopten lo antes posible las propuestas de la Comisión a este respecto.

En este camino el primer paso, crucial, será el mecanismo único de supervisión que posteriormente se complementará con un mecanismo único de resolución (véase el punto 3.2.1).
Un mecanismo único de supervisión debe velar por que los supervisores intercambien entre ellos sin restricciones la información sobre bancos, dispongan de herramientas comunes de prevención y de medidas comunes para abordar los problemas en la fase más temprana posible. Con el fin de restablecer la confianza entre los bancos, los inversores y las autoridades públicas nacionales también debe posibilitar que la supervisión se efectúe de forma estricta y objetiva, sin margen alguno de laxitud en la aplicación de la normativa.
El 12 de septiembre de 2012, la Comisión presentó propuestas legislativas para la creación de un mecanismo único de supervisión compuesto por el BCE y los supervisores nacionales[11], y para modificar el Reglamento de 2010 por el que se crea la Autoridad Bancaria Europea, con objeto de

---

8 Véase la Comunicación de la Comisión titulada «Hoja de ruta hacia una unión bancaria» en la que resumía su visión general del inicio de la unión bancaria, incluidos el código único normativo, la protección común de los depósitos y un mecanismo único de resolución bancaria», COM(2012) 510. http://ec.europa.eu/internal_market/finances/docs/committees/reform/20120912-com-2012-510_es.pdf

9 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/132809.pdf

10 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/132986.pdf

11 http://ec.europa.eu/internal_market/finances/docs/committees/reform/20120912-com-2012-511_en.pdf

adaptarlo a la creación del mecanismo único de supervisión y garantizar el equilibrio de sus estructuras de toma de decisiones entre los Estados miembros de la zona del euro y los no pertenecientes a ella[12].

El mecanismo único de supervisión propuesto por la Comisión se basa en la transferencia al nivel europeo de tareas específicas y fundamentales de supervisión de los bancos establecidos en los Estados miembros de la zona del euro y los bancos establecidos en los Estados miembros no pertenecientes a la misma que decidan sumarse a la unión bancaria. En virtud de este nuevo marco, el BCE se encargará de controlar todos los bancos de la unión bancaria, a los que aplicará el código normativo único vigente en todo el mercado único. El marco propuesto por la Comisión garantiza una supervisión eficaz y coherente en todos los Estados miembros participantes, basándose en los conocimientos técnicos específicos de los supervisores nacionales. Es de vital importancia que las negociaciones sobre el MUS concluyan antes de finales de año y que su puesta en práctica comience a principios de 2013. De manera complementaria, la Autoridad Bancaria Europea (ABE) se ajustará al nuevo marco de la supervisión bancaria, con el fin de garantizar la integridad del mercado único.

Esto allanará el camino hacia la utilización del MEDE como mecanismo público de protección para, cuando proceda y una vez se haya llegado a un acuerdo sobre este instrumento, recapitalizar directamente los bancos de conformidad con las conclusiones del Consejo Europeo de 19 de octubre de 2012. De este modo se reforzará aún más la zona del euro ya que contribuirá a romper la interacción negativa en bucle entre los bancos y sus deudas soberanas.

La confianza de los depositantes y los operadores del mercado es fundamental para la resolución de los bancos. Para alcanzar un nivel de confianza que sea comparable al de las mejores autoridades de resolución de todo el mundo, se necesitará un sistema único resolución creíble, así como un mecanismo de protección financiera fuerte. Esa responsabilidad sigue siendo nacional a corto plazo. Pero, una vez establecido el MUS, y con arreglo a las directrices pertinentes, el MEDE debe tener autorización para ofrecer apoyo mutualizado para recapitalizar directamente los bancos que no puedan obtener fondos en el mercado ni ser rescatados por su Estado miembro de origen, sin poner en peligro su sostenibilidad fiscal.

Un marco financiero integrado con una supervisión única y posteriormente un mecanismo único de resolución debe basarse en un código normativo único. Por tanto, es fundamental concluir de forma urgente las negociaciones sobre las propuestas de la Comisión que establecen nuevos marcos reglamentarios en los ámbitos de las normas prudenciales bancarias, las garantías de depósito y la recuperación y resolución bancarias.

3.1.3 Mecanismo único de resolución

Una unión bancaria eficaz requiere no sólo un mecanismo único de supervisión que garantice un alto nivel de calidad de la supervisión en los Estados miembros, sino también un mecanismo único de resolución que se ocupe de los bancos en dificultades. Así lo reconoció el 19 de octubre de 2012 el Consejo Europeo, al declarar que «toma nota de la intención de la Comisión de proponer un

12 http://ec.europa.eu/internal_market/finances/docs/committees/reform/20120912-com-2012-512_en.pdf

mecanismo único de resolución para los Estados miembros que participen en el MUS una vez que se hayan adoptado las propuestas relativas a la Directiva sobre rescate y resolución y la Directiva sobre sistemas de garantía de depósitos».

Por consiguiente, una vez adoptado el mecanismo único de supervisión, la Comisión elaborará una propuesta de mecanismo único de resolución, que se encargará de la reestructuración y resolución de los bancos en los Estados miembros que participen en la unión bancaria. Este mecanismo se articulará en torno a una autoridad europea de resolución independiente que regulará la resolución de los bancos y coordinará, en particular, la aplicación de las herramientas de resolución. Este mecanismo será más eficiente que una red de autoridades nacionales de resolución, especialmente en lo que respecta a los grupos bancarios transfronterizos para los que, en tiempos de crisis, la rapidez y la coordinación es crucial para minimizar los costes y restablecer la confianza. También entrañaría unas economías de escala significativas y evitaría las externalidades negativas que puedan derivarse de decisiones puramente nacionales.

Toda intervención del mecanismo único de resolución se basará en los siguientes principios:

- La necesidad de resolución debe reducirse al mínimo, gracias a unas normas prudenciales comunes estrictas y a una mejor coordinación de la supervisión dentro del mecanismo único de supervisión.

- Cuando la intervención del mecanismo único de resolución sea necesaria, los accionistas y los acreedores deberían sufragar los costes de la resolución antes de que se conceda financiación externa alguna, de conformidad con la propuesta de la Comisión sobre rescate y resolución de entidades bancarias.

- Cualquier recurso adicional necesario para financiar el proceso de reestructuración debe proceder de mecanismos financiados por el sector bancario, en lugar de utilizar el dinero de los contribuyentes.

Las futuras propuestas de la Comisión de un mecanismo único de resolución se basarán en estos principios.

La Comisión considera que, al igual que el establecimiento de un mecanismo único de supervisión eficaz, la creación de un mecanismo único de resolución puede lograrse a través del Derecho derivado sin necesidad alguna de modificar los Tratados actuales.

3.1.4 Una rápida decisión sobre el próximo marco financiero plurianual (MFP)

La propuesta de la Comisión para el marco financiero plurianual 2014-2020 constituye el vector decisivo para la inversión, el crecimiento y el empleo a escala de la UE. También prevé vincular de manera más sistemática la financiación de la política de cohesión, el desarrollo rural y la política marítima y de la pesca a los diferentes procedimientos de gobernanza económica. El marco

estratégico común (que abarca los siguientes «Fondos del MEC»: el Fondo Europeo de Desarrollo Regional, el Fondo Social Europeo, el Fondo de Cohesión, el Fondo Europeo Agrícola de Desarrollo Rural y el Fondo Europeo Marítimo y de la Pesca) establece un vínculo sólido entre estos fondos y los programas nacionales de reforma, los programas de estabilidad y de convergencia de los Estados miembros, así como las recomendaciones específicas para cada país adoptadas por el Consejo para cada Estado miembro.

La puesta en práctica se llevará a cabo a través de contratos/acuerdos de asociación entre los Estados miembros y la Comisión con la aplicación de condiciones macroeconómicas rigurosas. En la propuesta de la Comisión las condiciones macroeconómicas se aplican de dos maneras:

1. Reprogramación: se refiere a las modificaciones de los contratos de asociación y de los programas pertinentes en respuesta a las recomendaciones del Consejo, o para resolver un déficit excesivo, desequilibrios macroeconómicos u otras dificultades económicas y sociales o para maximizar el impacto sobre el crecimiento y la competitividad de los Fondos del MEC en los Estados miembros que reciben ayuda financiera de la UE. Cuando un Estado miembro no responda satisfactoriamente a dicha solicitud, la Comisión podrá suspender total o parcialmente los pagos de los programas en cuestión.

2. Suspensión: cuando un Estado miembro no tome medidas correctoras en el contexto de los procedimientos de gobernanza económica. En tal caso, la Comisión podrá suspender total o parcialmente los pagos y los compromisos correspondientes a los programas de que se trate.

Los contratos de asociación y los programas operativos garantizarán que las inversiones previstas cofinanciadas por los fondos del MEC contribuyan eficazmente a hacer frente a los desafíos estructurales que deben afrontar los Estados miembros. En el caso de las recomendaciones del Consejo en el contexto de los artículos 121 y 148 del Tratado y la vertiente correctora del PDM, se efectuará una nueva programación para las recomendaciones que guarden relación con los Fondos del MEC y se refieran a los desafíos estructurales que pueden afrontarse con estrategias de inversión plurianuales. Esas recomendaciones incluirán, entre otras cosas:

- reformas del mercado laboral que mejoren el funcionamiento del mismo, tales como la resolución de la inadecuación de las cualificaciones;

- medidas para estimular la competitividad, como la mejora de los sistemas educativos o a la promoción de la I + D, la innovación y las infraestructuras;

- medidas destinadas a mejorar la calidad de la administración, como la mejora de la capacidad administrativa y las estadísticas.

Mediante una rápida adopción del marco financiero plurianual y de la legislación sectorial pertinente, en particular, el Reglamento por el que se establecen disposiciones comunes para los Fondos del MEC, se reforzarán con rapidez los incentivos y el apoyo para las reformas estructurales en los Estados miembros.

3.1.5 Coordinación *ex ante* de las grandes reformas y creación de un «instrumento de convergencia y competitividad»

La experiencia de la crisis ha puesto claramente de manifiesto que las políticas económicas de los Estados miembros son una cuestión de interés común, sobre todo en la zona del euro. La aplicación lenta o la no aplicación de importantes reformas estructurales durante largos períodos de tiempo ha agravado los problemas de competitividad y la capacidad de ajuste de los Estados miembros, en algunos casos de forma significativa. Esto ha contribuido a aumentar la vulnerabilidad de esos Estados miembros. Los costes a corto plazo, ya sean de carácter político o económico, disuaden a menudo de aplicar la reforma, incluso cuando los beneficios a medio y largo plazo son considerables. Los posibles efectos indirectos importantes asociados a las reformas estructurales en la zona del euro justifican el uso de instrumentos específicos, como ya se ha hecho con los mecanismos de aplicación establecidos en el marco de la legislación del *six-pack*. Teniendo en cuenta estas consideraciones, el marco existente para la gobernanza económica de la zona del euro debería reforzarse mediante una mayor coordinación *ex ante* de los grandes proyectos de reforma y, tras la decisión sobre el nuevo MFP, con la creación de un «instrumento de convergencia y competitividad» que proporcione apoyo para la aplicación en el momento oportuno de las reformas estructurales (véase el anexo 1 para una descripción más detallada de la instauración prevista). Este instrumento combinaría la mayor integración de la política económica con el apoyo financiero y, por tanto, respetaría el principio según el cual las medidas relativas a una mayor responsabilidad y disciplina económica se combinan con una mayor solidaridad. La Comisión definirá en una próxima propuesta las modalidades concretas de este instrumento.

Coordinación ex ante *de las grandes reformas*

El vigente marco de supervisión económica de la UE ya ofrece una base para la coordinación de las políticas económicas. Sin embargo, este marco no prevé la coordinación sistemática *ex ante* entre los Estados miembros de los planes nacionales de grandes reformas de política económica. El debate y la coordinación *ex ante* de los grandes planes de reforma, según se prevé en el artículo 11 del TECG, hará posible que la Comisión y los Estados miembros evalúen los efectos indirectos potenciales de las medidas nacionales y comenten los planes antes de que se tomen las decisiones finales a nivel nacional. En una próxima propuesta, la Comisión propondrá un marco para la coordinación *ex ante* de las grandes reformas estructurales en el marco del Semestre Europeo.

Un «instrumento de convergencia y competitividad»: acuerdos contractuales y ayuda financiera

El instrumento de convergencia y competitividad (ICC) propuesto abarcaría los acuerdos contractuales que cuentan con ayuda financiera.

La aplicación de las reformas estructurales en los Estados miembros de la zona del euro se vería facilitada mediante el establecimiento de acuerdos contractuales que se deben acordar entre aquellos y la Comisión. Este nuevo sistema se basará en el actual marco de supervisión de la UE, es decir, el procedimiento de prevención y corrección de desequilibrios macroeconómicos (el procedimiento de desequilibrio macroeconómico o PDM)[13]. Estos acuerdos se negociarían entre los Estados miembros y

[13] Reglamento (UE) nº 1176/2011.

la Comisión, se debatirían en el Eurogrupo y serían concluidos por la Comisión con el Estado miembro. Serían obligatorios para los Estados miembros de la zona del euro sujetos a un procedimiento de desequilibrio excesivo y el plan de medidas correctoras (PMC) que deben presentar con arreglo al presente procedimiento constituiría la base del acuerdo que se negociará con la Comisión. Para los Estados miembros de la zona del euro que sean objeto de una acción preventiva en lo que se refiere a sus desequilibrios macroeconómicos, la participación sería voluntaria y supondría la presentación de un plan de acción similar al exigido en el marco del procedimiento de desequilibrio excesivo.

Así pues, los acuerdos se basarían siempre en las recomendaciones específicas para cada país resultantes del PDM, que suelen centrarse en mejorar la capacidad de ajuste y la competitividad y promover la estabilidad financiera, es decir, factores fundamentales para el buen funcionamiento de la UEM. Por consiguiente, el PDM establece un filtro razonable aplicable a las grandes reformas que pueden optar a una ayuda financiera teniendo en cuenta las externalidades asociadas presentes en una unión monetaria.

A continuación, el plan de acción presentado por el Estado miembro sería evaluado por la Comisión y se adoptaría en forma de acuerdo una serie final de reformas y medidas así como el calendario para su aplicación. De ese modo, este acuerdo establecería las medidas más detalladas que el Estado miembro se compromete a ejecutar, tras haber obtenido la aprobación de su Parlamento nacional, cuando así lo prevean sus procedimientos nacionales. Este sistema de acuerdos negociados mejoraría la calidad del diálogo entre la Comisión y los Estados miembros, así como el compromiso de estos con sus reformas y la asunción de las mismas.

Las reformas adoptadas en los acuerdos contractuales tendrían apoyo financiero, como complemento de los requisitos disciplinarios introducidos ya por el *six-pack*. El objetivo de esa ayuda sería dar lugar a una adopción y aplicación rápida de la reforma superando, o al menos atenuando, los elementos disuasorios de la misma, tanto políticos como económicos. Mediante el fomento de unas reformas estructurales que incrementen la capacidad de ajuste de un Estado miembro, el ICC aumentará la capacidad de la economía para absorber los impactos asimétricos mejorando el funcionamiento del mercado.

La ayuda financiera sólo se concederá a los paquetes de reforma objeto de acuerdo que sean importantes tanto para el Estado miembro en cuestión como para el buen funcionamiento de la UEM. La ayuda financiera apoyará los esfuerzos de un Estado miembro y, en particular, proporcionará apoyo cuando aparezcan desequilibrios a pesar del pleno cumplimiento de las anteriores recomendaciones específicas dirigidas al Estado miembro de que se trate.

La ayuda financiera sería una señal clara de que se reconoce tanto el coste de la reforma para el Estado miembro de que se trate, como el beneficio de las reformas nacionales para el resto de la zona del euro, debido a las externalidades transfronterizas positivas (que, sin embargo, pueden no ser suficientes para dar un impulso reformista a los Estados miembros). En caso de que la Comisión constate *ex post* que un Estado miembro no ha cumplido plenamente el contrato, se podrá retener la ayuda financiera.

La ayuda financiera debe concebirse como una asignación global que se debe utilizar para contribuir a financiar las medidas complementarias de las reformas difíciles. Por ejemplo, el impacto a corto plazo

de las reformas destinadas a aumentar la flexibilidad del mercado laboral podría ir acompañado de programas de formación financiados en parte mediante el apoyo previsto en el marco del ICC. El uso de la ayuda financiera se definirá como parte del acuerdo contractual celebrado entre el Estado miembro interesado y la Comisión.

Para apoyar este mecanismo de ayuda financiera podría crearse un instrumento financiero especial encuadrado, en principio, en el presupuesto de la UE.

El instrumento se crearía mediante el Derecho derivado. Se diseñaría como parte integrante del PDM, reforzado con los acuerdos contractuales y apoyo financiero, según se indica más arriba, y, por lo tanto, se basaría en el artículo 136 del TFUE. Alternativamente, cabe la posibilidad de recurrir al artículo 352 del TFUE, si es necesario mediante una cooperación reforzada (junto con una decisión de conformidad con el artículo 322 del TFUE, sobre los gastos incluidos en el presupuesto de la UE).

Las contribuciones financieras necesarias para el instrumento podrían basarse en un compromiso de los Estados miembros de la zona del euro o en una obligación legal a tal efecto, recogida en la legislación sobre los recursos propios de la UE. Las contribuciones deben incluirse en el presupuesto de la UE como ingresos afectados. El instrumento, financiado mediante ingresos afectados, no estaría sujeto a los límites máximos previstos en el Reglamento MFP. Los Estados miembros contribuyentes serían los únicos que podrían celebrar un acuerdo contractual con la Comisión y beneficiarse de la ayuda financiera. La ayuda mediante el ICC sería coherente y consistente con el apoyo de los fondos estructurales, y especialmente con el Fondo Social Europeo. El volumen del instrumento podría mantenerse dentro de unos límites en la fase inicial, pero podría aumentar a medio plazo siempre que el mecanismo de ayuda resultase eficaz para promover el reequilibrio y el ajuste y, por lo tanto, el crecimiento sostenible en la zona del euro.

En próximas propuestas, la Comisión definirá las modalidades concretas de este «instrumento de convergencia y competitividad» basado en acuerdos contractuales y ayuda financiera.

3.1.6 Fomentar las inversiones en la zona del euro

Las reformas estructurales apoyadas, en primer lugar por el MFP, y, en segundo lugar, por el instrumento de convergencia y competitividad serán fundamentales para mejorar el potencial de crecimiento a medio plazo de los miembros de la zona del euro y su adaptación a los impactos. Un saneamiento creíble y favorable al crecimiento que mejore la eficiencia de la estructura tributaria y la calidad del gasto público contribuirá a estimular el crecimiento. Según se recomienda en los estudios prospectivos anuales sobre el crecimiento de 2012 y 2013, los Estados miembros deberán esforzarse, en particular, por mantener un ritmo de saneamiento presupuestario adecuado, preservando al mismo tiempo las inversiones destinadas a la consecución de los objetivos de la Estrategia Europa 2020 para el crecimiento y el empleo.

El marco fiscal de la UE ofrece oportunidades para llegar a un equilibrio entre el reconocimiento de las necesidades de inversión pública productiva y los objetivos de la disciplina fiscal.

La inversión pública es uno de los factores importantes que deben tenerse en cuenta al evaluar la situación presupuestaria de un Estado miembro en el informe elaborado en virtud del artículo 126,

apartado 3, del TFUE, que precede a la puesta en marcha de un PDE[14]. La importancia de los factores pertinentes, tales como la inversión pública, de cara a la evaluación ha aumentado considerablemente con la reciente reforma del PEC. En determinadas condiciones, la consideración de los factores pertinentes pueden dar lugar a no aplicar un PDE a un Estado miembro[15]; y deben tenerse en cuenta los factores pertinentes a la hora de formular recomendaciones para corregir el déficit excesivo, entre ellas la trayectoria de reducción del déficit.

En la vertiente preventiva del PEC, la inversión pública se tiene en cuenta en el nuevo parámetro de referencia del gasto, que se utiliza junto con el saldo estructural para evaluar los avances hacia el objetivo presupuestario a medio plazo. Concretamente, se calcula un promedio de la formación bruta de capital fijo de las administraciones públicas durante una serie de años, con el fin de evitar que los Estados miembros se vean penalizados por picos anuales de inversión[16].

La Comisión estudiará otras formas, dentro de la vertiente preventiva, de incluir los programas de inversión en la evaluación de los programas de estabilidad y convergencia. Concretamente, en determinadas condiciones, no recurrentes, los programas de inversión pública que tengan un impacto demostrado en la sostenibilidad de las finanzas públicas pueden acogerse a una desviación temporal respecto del objetivo presupuestario a medio plazo o respecto de la senda de ajuste para alcanzarlo[17]. Esto podría aplicarse, por ejemplo, en el caso de los proyectos de inversión pública cofinanciados con la UE, de forma coherente con el marco de condicionalidad macroeconómica.

Aunque habría que elaborar un marco completo para poner en práctica esas condiciones (especialmente en lo que respecta a los requisitos de información/definición), un tratamiento

---

14 En concreto, con arreglo al artículo 126, apartado 3, del TFUE, en el informe de la Comisión «también se tendrá en cuenta si el déficit público supera los gastos públicos de inversión, así como todos los demás factores pertinentes (…)».

15 En primer lugar, la consideración de los factores pertinentes puede dar lugar a no aplicar a un Estado miembro el procedimiento de déficit excesivo a pesar de un incumplimiento del criterio de déficit cuando el ratio de deuda sea inferior al valor de referencia. En segundo lugar, una infracción del parámetro de referencia de la reducción de la deuda solo debería dar lugar a la apertura de un PDE tras evaluar los factores pertinentes.

16 Asimismo, los gastos relativos a programas de la UE, y, por tanto, también los gastos de inversión, en la medida en que estén cubiertos totalmente por ingresos procedentes de fondos de la UE, también están excluidos de los gastos tomados en consideración para evaluar la conformidad con el del parámetro de referencia del gasto.

17 El PEC contiene disposiciones específicas que permiten esa posibilidad. Artículo 5, apartado 1, del Reglamento (CE) n ° 1466/97: «[…] Al definir la senda de ajuste hacia el objetivo a medio plazo para los Estados miembros que aún no lo hayan alcanzado y al permitir una desviación temporal respecto de dicho objetivo a los Estados miembros que ya lo hayan alcanzado, siempre que se mantenga un margen de seguridad adecuado con respecto al valor de referencia del déficit y se prevea el retorno de la situación presupuestaria al objetivo presupuestario a medio plazo dentro del período cubierto por el programa, el Consejo y la Comisión tendrán en cuenta la puesta en práctica de importantes reformas estructurales que tengan efectos directos presupuestarios positivos a largo plazo, entre otras cosas incrementando el crecimiento sostenible potencial, y que tengan por tanto una repercusión comprobable en la sostenibilidad a largo plazo de las finanzas públicas […]».

específico de la inversión pública solo podría dar lugar a una desviación temporal respecto del objetivo presupuestario a medio plazo o de la trayectoria del ajuste para alcanzarlo. La Comisión publicará una Comunicación sobre la trayectoria adecuada hacia el objetivo a medio plazo en la primavera de 2013.

Las disposiciones específicas para los proyectos de inversión no deberían confundirse, en principio, con una «regla de oro», que concediera una excepción permanente para todas las inversiones públicas. Este enfoque indiscriminado podría poner en peligro fácilmente el primer objetivo del PEC ya que socavaría la sostenibilidad de la deuda pública.

3.1.7 Representación exterior de la zona del euro

Basándose en los avances logrados en la gobernanza económica de la zona del euro, hay que proceder a un fortalecimiento y consolidación de su representación exterior. Esto puede lograrse plenamente basándose en los Tratados actuales (artículo 17 del TUE y artículo 138 del TFUE).

Este refuerzo es necesario para garantizar que la zona del euro esté representada de manera proporcional a su peso económico, reflejando los cambios que se producen en la gobernanza económica interior. La zona del euro debe estar en condiciones de desempeñar un papel más activo en las instituciones y foros multilaterales, así como en los diálogos bilaterales con socios estratégicos. Esto significaría hablar con una sola voz sobre temas tales como cuestiones de política económica y fiscal de la zona del euro, la supervisión macroeconómica, las políticas cambiarias y la estabilidad financiera.

Para alcanzar estos objetivos será necesario un acuerdo sobre una hoja de ruta con el fin de racionalizar y, cuando sea posible, unificar la representación exterior de la zona del euro en las organizaciones y foros económicos y financieros internacionales.

El objetivo principal debe ser el FMI que, a través de sus instrumentos de préstamo y vigilancia, es un pilar institucional clave de la gobernanza económica internacional. Tal como ha demostrado la crisis, es de vital importancia para la zona del euro hablar con una sola voz en particular sobre los programas, acuerdos de financiación y política de resolución de crisis del FMI. Para ello será necesario reforzar los mecanismos de coordinación de la zona del euro en Bruselas y Washington en aspectos relativos a la UEM de la UE a fin de reflejar los cambios en la gobernanza interna de la UEM y garantizar la coherencia y eficacia de los mensajes.

Esta mejora de la representación de la zona del euro en el FMI debe llevarse a cabo mediante un proceso en dos etapas. En la primera, habría que reorganizar las jurisdicciones de países para reagrupar a los países en jurisdicciones de la zona del euro que también podrían incluir a los futuros Estados miembros de dicha zona. Paralelamente, habría que conseguir para la zona del euro el estatus de observador en el Directorio Ejecutivo del FMI[18].

---

18 Es decir, que la UE represente a los Estados miembros de la zona euro, de conformidad con los Tratados.

Estas medidas deben preparar el terreno para que la zona del euro solicite, en una segunda fase, una representación única en los organismos del FMI (Directorio Ejecutivo y Comité Financiero y Monetario Internacional). La Comisión presentará en su momento propuestas formales en virtud del artículo 138, apartado 2, del TFUE para alcanzar una posición única con objeto de lograr un estatus de observador de la zona del euro en el Directorio Ejecutivo del FMI y, posteriormente, una representación única. La institución adecuada para representar a la zona del euro en el FMI, de conformidad con el artículo 138 del TFUE, sería la Comisión, mientras que el BCE estaría asociado en el ámbito de la política monetaria. El anexo 2 contiene más detalles sobre este aspecto de la profundización de la UEM.

3.2 A medio plazo: mayor integración de la política económica y presupuestaria y pasos hacia una capacidad fiscal adecuada

A medio plazo (de 1 a 5 años), habría que lograr establecer una mayor coordinación presupuestaria (incluida la posibilidad de exigir una revisión de los presupuestos nacionales de conformidad con los compromisos europeos), ampliar la profundización de la coordinación de políticas en el ámbito de la fiscalidad y el empleo, crear un mecanismo único de resolución para el sector financiero y crear una verdadera capacidad contributiva de la UEM para apoyar la aplicación de las opciones políticas derivadas de una coordinación más estrecha. Algunos de estos elementos exigirán modificar los Tratados.

La reducción de la deuda pública que supere considerablemente los criterios del PEC podría abordarse mediante la creación de un fondo de amortización. La emisión común por los Estados miembros de la zona del euro de deuda pública a corto plazo con un plazo de vencimiento de hasta 1 a 2 años impulsaría la integración de los mercados financieros de la zona del euro y, en particular, la estabilización de los volátiles mercados de deuda pública. Ambas posibilidades exigirían modificar los Tratados[19].

3.2.1 Refuerzo de la integración económica y presupuestaria que requiere modificar los Tratados

El remozamiento de la gobernanza presupuestaria y económica que habrá experimentado la zona del euro con la adopción del *two-pack* y la disponibilidad del instrumento de convergencia y competitividad representarán un avance importante de cara a garantizar la disciplina presupuestaria y también la competitividad económica.

No obstante, el progreso hacia una mayor mutualización del riesgo financiero exigiría avanzar un paso más en la coordinación de las políticas presupuestarias, velando por que exista un control colectivo de la política presupuestaria nacional en determinadas situaciones.

---

19 Véase la sentencia de 27 de noviembre de 2012 en el asunto C-370/12, Pringle, apartados 137 y 138.

En particular, las innovaciones introducidas por el *two-pack* y, especialmente, la posibilidad de un dictamen de la Comisión sobre los proyectos de planes presupuestarios y, en casos extremos, la posibilidad de solicitar un nuevo proyecto de plan presupuestario en caso de incumplimiento grave de las obligaciones de los Estados miembros contempladas en el PEC, están alcanzando el límite de la posibilidad establecida en los actuales Tratados para la coordinación e intervención de la UE en el proceso presupuestario nacional. Una vez se adopte el *two-pack*, la UE habrá agotado con creces los límites de su competencia legislativa en estos aspectos.

Para avanzar en términos de control de la política presupuestaria nacional, por ejemplo instaurando un derecho europeo a exigir una revisión de los presupuestos nacionales de conformidad con los compromisos europeos, se necesitaría una modificación de los Tratados.

Cabría estudiar las siguientes vías (no excluyentes):

- En primer lugar, la obligación de que un Estado miembro revise su (proyecto de) presupuesto nacional si el nivel de la UE lo exige en caso de desviación de las obligaciones de disciplina presupuestaria fijadas anteriormente a nivel de la UE. Esto supondría cambiar de un carácter no vinculante a uno vinculante la naturaleza del dictamen sobre el presupuesto nacional previsto en el *two-pack*.

- En segundo lugar, basándose en el proceso de coordinación y de control más estricto creado por el *two-pack*, en determinadas situaciones especialmente graves que habrá que definir, un derecho a exigir una revisión de las decisiones de ejecución presupuestaria, de conformidad con los compromisos europeos, que den lugar a una grave desviación de la senda de saneamiento presupuestario fijada a nivel de la UE.

- En tercer lugar, una competencia clara a nivel de la UE para armonizar las leyes presupuestarias nacionales [de conformidad con el Tratado de Estabilidad, Coordinación y Gobernanza en la Unión Económica y Monetaria (TECG)[20]] y para recurrir al Tribunal de Justicia en caso de incumplimiento.

Por lo que se refiere a la política económica, la política tributaria puede apoyar la coordinación de la política económica y contribuir a la consolidación fiscal y al crecimiento. Sobre la base de la experiencia obtenida en el debate estructurado sobre aspectos de la política tributaria que se centran en ámbitos en los que cabe prever acciones más ambiciosas, en el futuro se podría considerar, en el contexto de una modificación de los Tratados, dar cabida a legislación que profundice para la zona del euro la coordinación en este ámbito. Otro sector de similar importancia en el que cabría plantearse este tipo de avances es el de los mercados laborales, dada la importancia que tiene el buen funcionamiento de dichos mercados y, en particular, la movilidad laboral de cara al ajuste de la capacidad y al crecimiento en la zona del euro.

Habría que reforzar la coordinación y la supervisión de las políticas laborales y sociales dentro de la gobernanza de la UEM y promover la convergencia en esos ámbitos. Las actuales orientaciones

---

20 En cualquier caso, el contenido de dicho Tratado debería integrarse en el Derecho de la Unión, tal como se prevé en su artículo 16.

generales de política económica y las orientaciones para las políticas de empleo podrían fusionarse en un único instrumento.

Estos cambios constituirían la base para desarrollar una capacidad fiscal adecuada de la zona del euro, para apoyar reformas estructurales a gran escala, así como para hacer posibles modalidades de mutualización de la deuda que faciliten la solución de los problemas de endeudamiento elevado y segmentación financiera, que son algunas de las consecuencias de la crisis.

3.2.2 Una capacidad fiscal adecuada para la zona del euro

Basándose en la experiencia de coordinación sistemática *ex ante* de las grandes reformas estructurales y del ICC, debe establecerse una capacidad fiscal específica para la zona del euro. Debe ser autónoma, en el sentido de que sus ingresos se basarían únicamente en los recursos propios, y podría recurrir eventualmente a empréstitos. Debe ser eficaz y aportar recursos suficientes para apoyar reformas estructurales importantes en un gran economía en peligro.

Esta capacidad fiscal adecuada para la zona del euro podría desarrollarse inicialmente con arreglo al Derecho derivado, tal como se explica en el punto 3.1.3. No obstante, su refuerzo se beneficiaría de unas nuevas bases específicas contempladas en el Tratado, lo que sería necesario si la capacidad tuviera que poder recurrir a empréstitos.

3.2.3 Fondo de amortización

Un marco de gobernanza económica y fiscal claramente reforzado permitiría abordar la reducción de la deuda pública cuando sea significativamente superior a los criterios del PEC, mediante la creación de un fondo de amortización sujeto a condiciones estrictas.

La propuesta inicial de un fondo europeo de amortización (FA) como herramienta inmediata frente a la crisis es obra del consejo alemán de expertos económicos como parte de una estrategia de reducción de la deuda para toda la zona del euro.

Con objeto de limitar el riesgo moral y garantizar la estabilidad de la estructura, así como la amortización de los pagos, el consejo alemán de expertos económicos propuso varios instrumentos de supervisión y estabilización, tales como: 1) condiciones estrictas, similares a las normas acordadas en los programas del FEEF/MEDE; 2) sanciones económicas inmediatas en caso de incumplimiento de la normativa; 3) control estricto por parte de una institución especial (por ejemplo, el Tribunal de Justicia de la UE); 4) interrupción inmediata de transferencia de deuda al fondo durante la fase inicial en caso de incumplimiento de las normas; 5) pignoración de las reservas internacionales de los Estados miembros (reservas de divisas o de oro) como garantía de sus obligaciones y/o cesión de impuestos (posiblemente de reciente introducción) para cubrir el servicio de la deuda (por ejemplo, ingresos del IVA) con objeto de limitar el riesgo de responsabilidad.

La Comisión está de acuerdo en que un marco presupuestario y económico sólido es un requisito previo para la viabilidad del fondo de amortización. Un mayor control y poder de intervención en la elaboración y aplicación de las políticas presupuestarias nacionales se justificaría tal como se expone en el apartado anterior. La credibilidad de los planes de ajuste requeriría unas condiciones fiscales adecuadas que se establecerían cuando un Estado miembro entrase en el sistema. A este respecto, lo mínimo sería un estricto cumplimiento de la senda de ajuste hacia el objetivo a medio plazo propuesto por la Comisión.

Un fondo de amortización europeo con estas condiciones estrictas (véase también el anexo 3) podría constituir un punto de anclaje para una reducción creíble de la deuda pública, que situase el nivel de endeudamiento del sector público por debajo del tope del 60 % previsto en el Tratado de Maastricht.

La introducción de este marco podría dar otra señal de que los Estados miembros de la zona del euro están dispuestos, preparados y comprometidos a reducir sus niveles de deuda. Ello, a su vez, rebajaría los costes generales de financiación de los Estados miembros sobreendeudados. Al garantizar la financiación de la reducción del «exceso de deuda» a un coste sostenible, en combinación con unas medidas incentivadoras y una supervisión permanente de esa reducción, se proporcionaría a los Estados miembros de la zona del euro la posibilidad de orientar la reducción de la deuda de forma tal que pudiera facilitar las inversiones en medidas de apoyo al crecimiento. Además, este marco podría contribuir a que la reducción de la deuda se realizase de forma transparente y coordinada en toda la zona del euro, complementando así la coordinación de las políticas presupuestarias.

La creación de un fondo de amortización de la deuda solo podría plantearse en el contexto de una revisión de los Tratados actuales. Por razones de responsabilidad, el acto por el que se crea ese fondo tendría que formularse con gran precisión jurídica, por lo que se refiere a la deuda máxima transferible, el tiempo máximo de funcionamiento y todos los demás aspectos del fondo, con el fin de garantizar la seguridad jurídica necesaria de conformidad con las normas constitucionales nacionales.

Por consiguiente, un posible modelo que garantizara la responsabilidad adecuada de un fondo de amortización de la deuda diseñado siguiendo esa pauta será el siguiente: una nueva base jurídica en el Tratado permitiría crear el fondo mediante una Decisión del Consejo, adoptada por unanimidad de los miembros de la zona del euro con el consentimiento del Parlamento Europeo, y sujeta a la ratificación de los Estados miembros de conformidad con sus respectivas normas constitucionales. Dicha Decisión determinaría el volumen máximo, la duración y las condiciones de participación en el fondo. Posteriormente, un órgano europeo de gestión de la deuda creado en el marco de la Comisión y responsable ante el Parlamento Europeo, gestionaría el fondo de conformidad con las normas establecidas en la Decisión del Consejo.

3.2.4 Euroletras (*Eurobills*)

Un efecto importante de la crisis ha sido la revaluación del riesgo de crédito de la deuda soberana en la zona del euro. Después de más de una década en la que los Estados miembros podían contraer préstamos en condiciones casi idénticas, los mercados empezaron de nuevo a diferenciar las primas de riesgo según los países. Los títulos del Estado emitidos por los Estados miembros más débiles de la zona del euro se negociaron a tipos de interés mayores, con consecuencias adversas para la

sostenibilidad de las finanzas públicas de esas deudas soberanas y para la solvencia de las entidades financieras que poseían esos títulos del Estado como activos. Esta segmentación del riesgo de crédito, junto con el «sesgo nacional» que caracteriza a las instituciones financieras, ha resultado ser un impulsor poderoso de la fragmentación financiera en la zona del euro. Los bancos sobreexpuestos a las deudas soberanas más débiles encuentran cada vez más dificultades para refinanciarse y las condiciones crediticias para el sector privado varían considerablemente según la ubicación del prestatario. Al mismo tiempo, la segmentación del mercado financiero es un obstáculo para la transmisión de la política monetaria y la relajación a nivel central no se traduce en una mejora de las condiciones crediticias cuando más se justificaría.

A la luz de esta situación, existe un argumento de peso a favor de la creación de un nuevo instrumento soberano de la zona del euro. Un posible motor del fomento de la integración de los mercados financieros de la zona del euro y, en particular, para estabilizar los volátiles mercados de deuda pública son las denominadas euroletras. Esta emisión común por los Estados miembros de la zona del euro de deuda pública a corto plazo con un vencimiento de hasta 1 a 2 años, constituiría una herramienta poderosa contra la actual fragmentación, reduciendo la interacción negativa en bucle entre bancos y deuda soberana, al tiempo que limitaría el riesgo moral. Además, también contribuiría a restablecer la correcta transmisión de la política monetaria. Las euroletras podrían sustituir progresivamente a las deudas a corto plazo existentes, y no expandirían el importe global de la deuda nacional a corto plazo de la zona del euro.

Estas denominadas euroletras podrían contribuir a completar los mercados financieros europeos mediante la creación de un gran mercado de valores integrados a corto plazo en la zona del euro. Dado el importante papel de los valores a corto plazo para la gestión de la tesorería y la naturaleza a corto plazo de los efectos, estos valores suelen disfrutar de una calidad crediticia particularmente elevada. Al mismo tiempo, la naturaleza rotatoria de esos títulos a corto plazo permite ajustar rápidamente los regímenes de financiación al comportamiento fiscal nacional, lo que da incentivos para la disciplina fiscal.

La emisión común reforzaría la estabilidad financiera en la medida en que garantizaría una oferta disponible de liquidez a corto plazo para todos Estados miembros de la zona del euro. También crearía un conjunto de activos seguros en toda la zona del euro, lo que facilitaría en gran medida la gestión de la liquidez de las entidades financieras y, de este modo, reduciría su frecuentemente fuerte sesgo nacional, que ha sido muy negativo en situaciones de crisis. Las euroletras también ayudarían considerablemente a gestionar la política monetaria en la zona del euro, ya que reforzarán y armonizarán los canales de transmisión. Las euroletras serían plenamente compatibles con el concepto de un fondo de amortización y lo complementarían.

Debido a su carácter de instrumentos financieros que requieren la garantía solidaria de los Estados miembros participantes, sería necesario modificar los Tratados para poder desarrollar estos instrumentos. Las euroletras no son un sustitutivo de una gobernanza económica y una disciplina fiscal mejoradas. La puesta en práctica de este instrumento común de deuda requeriría una más estrecha coordinación y supervisión de la gestión de la deuda de los Estados miembros con el fin de garantizar la sostenibilidad y eficacia de las políticas presupuestarias nacionales. Esta función de seguimiento y gestión podría ser desempeñada por un Tesoro de la UEM que formaría parte de la Comisión.

3.3 Visión de la UEM a más largo plazo

A largo plazo, la Unión Europea debe avanzar hacia una plena unión bancaria, una plena unión fiscal y una plena unión económica que necesitarían, como cuarto elemento, un proceso de adopción de decisiones dotado de la legitimidad y responsabilidad democráticas adecuadas. Este camino requerirá una importante reforma del Tratado.

3.3.1 Plena unión bancaria

A largo plazo, se impone la lógica de tender a la plena unión bancaria para todos los bancos. La supervisión directa del BCE, aplicando el código normativo único y los estándares desarrollados por la ABE, garantizan una alta calidad permanente de la supervisión en toda la zona del euro. En combinación con los instrumentos de política macroprudencial a nivel de la zona del euro, se dispondrá de un sistema eficaz para controlar y limitar los riesgos micro y macroprudenciales para el sistema financiero.

Dicho sistema, así como un sistema común de resolución bancaria, combinados con unos sistemas eficaces y sólidos de garantía de depósitos en todos los Estados miembros, dotarán de forma duradera al sector bancario de una base sólida y contribuirán a mantener la confianza en la estabilidad sostenible de la zona del euro. Para maximizar la confianza del público, también se necesitará una protección financiera creíble y eficaz. En última instancia, esta podría lograrse mediante el desarrollo de un activo seguro de la zona del euro.

Una unión bancaria que combine todos estos elementos, es una parte fundamental de una visión a largo plazo de la integración económica y fiscal[21].

3.3.2 Plena unión económica y fiscal

El logro de una plena unión económica y fiscal sería la última etapa de la UEM. Como destino final, supondría una unión política con una adecuada puesta en común de la soberanía y con un presupuesto central como capacidad fiscal propia y como medio de imponer decisiones presupuestarias y económicas a sus miembros, en determinadas circunstancias bien definidas. La dimensión de este presupuesto dependerá de la profundidad de integración deseada y de la voluntad de aplicar los consiguientes cambios políticos. Un grado de integración tan profundo crearía las condiciones para una emisión común de deuda mediante bonos de estabilidad según se establece en el Libro Verde de la Comisión de 2011.

---

21 Véase la Comunicación de la Comisión titulada «Hoja de ruta hacia una unión bancaria» en la que resumía su visión general del inicio de la unión bancaria, incluidos el código único normativo, la protección común de los depósitos y un mecanismo único de resolución bancaria», COM(2012) 510. http://ec.europa.eu/internal_market/finances/docs/committees/reform/20120912-com-2012-510_es.pdf

Hace mucho tiempo que se ha establecido que la carencia de un presupuesto central que tenga una función de estabilización es un posible punto débil de la zona del euro en comparación con otras uniones monetarias que han tenido éxito.

Presupuesto central que ofrezca una capacidad fiscal con una función de estabilización

La actual arquitectura de la UEM se basa en las políticas fiscales nacionales descentralizadas con arreglo a un marco basado en normas. Se espera que la función de estabilización de la política fiscal en este contexto se ejerza ya a nivel nacional, dentro de los límites de las normas del Tratado y el PEC. De hecho, una visión tradicional de las modalidades de la UEM atribuye a las políticas presupuestarias nacionales la tarea de responder a los impactos nacionales específicos, y a la política monetaria la tarea de garantizar la estabilidad de los precios y, de ese modo, estabilizar las condiciones macroeconómicas en toda la UEM. Por otra parte, los estabilizadores nacionales automáticos poseen un considerable potencial de estabilización en países de la UEM, dado el tamaño relativamente grande de los estados del bienestar.

Basándose en la capacidad fiscal, un instrumento de estabilización a nivel de la UEM que apoye el ajuste a los choques asimétricos, facilite una integración económica y una convergencia más sólidas y evite crear flujos de transferencias a largo plazo, podría llegar a ser un componente de una auténtica UEM. Un mecanismo de este tipo debería destinarse estrictamente a hacer frente a las asimetrías y evoluciones cíclicas a corto plazo para evitar las transferencias permanentes a lo largo del ciclo. Debe dar apoyo a las reformas estructurales y estar sujeto a unas condiciones políticas estrictas con objeto de evitar el riesgo moral.

Un instrumento común dedicado a la estabilización macroeconómica podría proporcionar un sistema de seguridad mediante el cual los riesgos de choques económicos se agruparían en los Estados miembros, reduciendo así las fluctuaciones de la renta nacional. En segundo lugar, puede ayudar a mejorar la aplicación de las políticas presupuestarias nacionales a lo largo del ciclo. En particular, podrá fomentar la austeridad presupuestaria durante fases de auge económico, al tiempo que ofrece un margen de maniobra suplementario para una política presupuestaria expansionista en períodos de recesión. En general, un instrumento compartido podría reportar beneficios netos para el poder de estabilización, en comparación con el sistema actual.

Dependiendo de su concepción, el mecanismo podría centrarse en los choques asimétricos o incluir también los impactos que sean comunes a la zona del euro. Sin embargo, si bien este segundo enfoque tiene un mayor alcance, requerirá unas salvaguardias sólidas para mantener la credibilidad presupuestaria, ya que el mayor poder de estabilización frente a los choques desfavorables comunes sólo podrá alcanzarse aumentando de hecho el flujo total de empréstitos de la zona del euro en estos periodos y, por tanto, deberá financiarse con los superávits mayores de las épocas de bonanza. Con arreglo a este planteamiento, se daría probablemente al presupuesto central la capacidad de obtener créditos y emitir bonos. Por otra parte, la política monetaria seguiría siendo el principal instrumento para hacer frente a las perturbaciones comunes.

En su formulación más sencilla, un sistema de estabilización para estabilizar los choques asimétricos, podría requerir unos pagos monetarios netos negativos en épocas de bonanza y positivos en tiempos de crisis. Por ejemplo, un sistema sencillo determinaría las contribuciones/pagos netos de los países en función de su brecha de producción (con respecto a la media). No se establecería ningún otro requisito relativo al uso de los pagos recibidos del fondo.

Alternativamente, los sistemas pueden exigir que los pagos del fondo estén destinados a un fin determinado, con efectos anticíclicos (como, por ejemplo, en EE.UU. el sistema de prestaciones de desempleo, en virtud del cual un fondo federal abona el 50 % de las prestaciones de desempleo que superen una duración estándar hasta un máximo determinado, con la condición de que el desempleo se sitúe en un determinado nivel y esté en aumento). Si bien el destinar las transferencias podría reforzar las propiedades estabilizadoras, no se puede evitar por completo el riesgo de que los gobiernos compensen las consecuencias de las transferencias mediante medidas fiscales con efectos opuestos.

Los sistemas deben funcionar de tal modo que eviten las «transferencias permanentes» en todos los países. Dicho de otro modo, deben estar diseñados de tal forma que se evite que, durante un período de tiempo demasiado largo, ningún país resulte beneficiado o perjudicado por el sistema en términos netos. Una condición necesaria es que las diferencias entre países en las transferencias netas al sistema no dependan de las diferencias de ingresos absolutos, sino de las diferencias de la posición cíclica. Las diferencias de nivel de renta pueden persistir durante décadas, mientras que es probable que las posiciones cíclicas relativas cambien de signo en el curso de una década. Existe un equilibrio entre la medida en que las transferencias se ven obligadas a ser temporales y el grado en que puede hacerse frente a las perturbaciones asimétricas duraderas de la demanda (por ejemplo, las salidas de capital con desapalancamiento)[22].

Consideraciones institucionales

Una modificación de los Tratados que ofrezca la base jurídica para este tipo de capacidad fiscal podría, entre otras cosas:

- establecer una nueva base jurídica explícita que permita crear un fondo al servicio de objetivos definidos de forma más amplia de lo que permite actualmente el artículo 136 del TFUE, con fines de estabilización macroeconómica, entre otros;

[22] Algunos análisis existentes evalúan econométricamente la contribución de los sistemas de transferencia existentes disponibles en Estados federados a la absorción de los choques asimétricos. Por ejemplo, las estimaciones sobre la capacidad de estabilización de las transferencias entre los Estados de EE.UU. oscilan entre el 10 % y el 30 % del impacto compensado por la transferencia en ese país.

- establecer el correspondiente procedimiento específico presupuestario y de recursos propios ;

- crear una nueva potestad tributaria a escala de la UE o una potestad para obtener ingresos mediante endeudamiento contraído en los mercados (prohibido actualmente por los artículos 310 y 311 del TFUE);

- establecer un Tesoro de la UEM en el seno de la Comisión;

- y por último, si se desea, permitir a los demás Estados miembros adherirse libremente a dicha capacidad fiscal, como etapa de los preparativos para su adhesión a la zona del euro.

Para conseguir una UEM profunda y auténtica hacen falta medidas incrementales, partiendo de lo que se haya conseguido a corto y medio plazo e introduciendo una mayor integración a través de etapas y estrategias sucesivas. De este modo, a la mayor coordinación de las políticas económicas y presupuestarias acompañada de instrumentos de apoyo financiero para aplicar las prioridades políticas consensuadas podría seguir, con el tiempo, el establecimiento de un presupuesto central con mecanismos comunes de estabilización, a través de la integración del MEDE en el marco del Tratado UE y de pasos hacia la mutualización de la emisión de deuda soberana entre los Estados miembros.

Los avances hacia una UEM profunda y auténtica requerirán, a medio plazo, una estructura similar a un Tesoro de la UEM dentro de la Comisión para organizar las políticas comunes que se lleven a cabo con la capacidad fiscal común en la medida en que impliquen recursos comunes o empréstitos comunes. Este Tesoro incorporaría a la nueva autoridad presupuestaria y gestionaría los recursos comunes. Su director debería ser un alto cargo de la Comisión, como el vicepresidente encargado de Asuntos Económicos y Monetarios y del Euro, en coordinación con el comisario encargado de Presupuesto, y recibiría el apoyo de las estructuras colegiadas adecuadas.

Aunque no se excluye integrar el MEDE en el marco de la UE con arreglo a los Tratados vigentes mediante una decisión en virtud del artículo 352 del TFUE y una modificación de la Decisión sobre los recursos propios de la UE, parece que, dada la importancia política y financiera de una medida de este tipo y las adaptaciones legales que requeriría, esa vía no sería necesariamente menos engorrosa que integrar el MEDE mediante la modificación de los Tratados de la UE. Esto último también permitiría establecer procedimientos decisorios adaptados.

Todas las diferentes etapas mencionadas más arriba suponen un mayor grado de transferencia de soberanía y, por ende, de responsabilidad, al nivel europeo. Este proceso debería ir acompañado de medidas tendentes a la integración política, a fin de garantizar el refuerzo de la legitimidad democrática, la responsabilidad y el control.

4. Unión política: responsabilidad y legitimidad democráticas y gobernanza reforzada en una UEM profunda y auténtica

4.1. Principios generales

Toda medida para conseguir la legitimidad democrática como piedra angular de una auténtica UEM debe basarse en dos principios fundamentales. En primer lugar, en los sistemas de gobernanza a distintos niveles hay que garantizar la responsabilidad en el nivel en el que se haya tomado la decisión de ejecución correspondiente, teniendo siempre debidamente en cuenta en qué nivel surte efectos la decisión. En segundo lugar, en el desarrollo de la UEM, al igual que en el desarrollo de la integración europea en general, el nivel de legitimidad democrática siempre debe mantenerse acorde con el grado de transferencia de la soberanía de los Estados miembros al nivel europeo. Esto es tan válido para las nuevas competencias en materia de supervisión presupuestaria y política económica como para las nuevas normas de la UE en materia de solidaridad entre los Estados miembros. En resumen: una mayor mutualización financiera requiere una integración política acorde. En esta sección se expone una serie de vías preliminares y no exhaustivas para continuar los trabajos.

Del primer principio se desprende que es el Parlamento Europeo el que debe garantizar en primer lugar la responsabilidad democrática por las decisiones adoptadas en el nivel de la UE, en especial las adoptadas por la Comisión. Por este motivo, el refuerzo del papel de las instituciones de la UE deberá ir acompañado de una participación acorde del Parlamento Europeo en los procedimientos de la Unión. Al mismo tiempo, cualquiera que sea el diseño final de la UEM, el papel de los parlamentos nacionales siempre seguirá siendo crucial para garantizar la legitimidad de la acción de los Estados miembros en el Consejo Europeo y en el Consejo, pero sobre todo de la aplicación de las políticas económicas y presupuestarias nacionales aunque se intensifique la coordinación por parte de la UE. La cooperación entre el Parlamento Europeo y los parlamentos nacionales también es valiosa: desarrolla la comprensión mutua y la apropiación común de la UEM como sistema de gobernanza a distintos niveles; por ello se agradecerán las medidas concretas para seguir perfeccionándola de conformidad con el Protocolo n° 1 de los Tratados de la UE, y el artículo 13 del TECG. No obstante, la cooperación interparlamentaria como tal no garantiza la legitimidad democrática de las decisiones de la UE; hace falta una asamblea parlamentaria representativa en la que se pueda votar. El Parlamento Europeo, y solo él, es esta asamblea para la UE y, por lo tanto, para el euro.

El principio de garantizar un nivel de legitimidad acorde con las transferencias de soberanía y la solidaridad dentro de una Unión política plantea dos consideraciones generales.

En primer lugar, la cuestión de la responsabilidad se plantea de maneras fundamentalmente diferentes por lo que se refiere a la acción a corto plazo, que puede desarrollarse a través del Derecho derivado de la UE, y a las etapas posteriores, que implican la modificación de los Tratados. El Tratado de Lisboa ha perfeccionado el modelo único de democracia

supranacional de la UE y, en principio, fija un nivel adecuado de legitimidad democrática en lo que respecta a sus competencias actuales. Por lo tanto, siempre que se pueda seguir desarrollando la UEM sobre la base de los Tratados, sería inexacto sugerir que existen problemas insuperables en lo que respecta a la responsabilidad. Por el contrario, los debates sobre las modificaciones de los Tratados a medio y largo plazo, de acuerdo con lo previsto en las secciones 3.2 y 3.3, deberán incluir una reflexión sobre las adaptaciones del modelo de legitimidad democrática de la UE.

En segundo lugar, si las medidas intergubernamentales en la zona del euro se ampliasen significativamente más allá de la situación actual, aún surgirían problemas graves en materia de responsabilidad y gobernanza. Así podría suceder, concretamente, si se recurriese a este tipo de medidas para influir sobre la forma en que los Estados miembros aplican sus políticas económicas. En primer lugar, esta vía plantearía problemas de compatibilidad con el Derecho primario de la UE. Como ha confirmado el Tribunal de Justicia, el Tratado confía a la Unión la labor de coordinar las políticas económicas de los Estados miembros; el MEDE es coherente con los Tratados precisamente porque no tiene por objeto lograr dicha coordinación, sino ofrecer un mecanismo de financiación, y porque incluye disposiciones expresas en virtud de las cuales la condicionalidad prevista en el Tratado MEDE –que no es un instrumento de coordinación de las políticas– garantiza la compatibilidad de sus actividades con el Derecho de la UE y con las medidas de coordinación adoptadas por la Unión. Es más, la acción intergubernamental solo podría confiar a las instituciones de la Unión, como la Comisión y el BCE, unas funciones limitadas que pueden ser labores de coordinación de una acción conjunta o la gestión de una ayuda financiera, ejercidas en nombre de los Estados miembros, y siempre que estas funciones no desvirtúen las competencias que los Tratados atribuyen a esas instituciones[23]. En cualquier caso, es difícil imaginar cómo podría organizarse la responsabilidad parlamentaria de una acción europea llevada a cabo en un nivel intergubernamental que aspire a influir sobre las políticas económicas de cada uno de los Estados miembros de la zona del euro.

Por tanto, en la medida en que surja la necesidad de unas estructuras de gobernanza reforzadas en una UEM más profunda, habrá que diseñar tales estructuras con eficiencia y legitimidad, como parte del marco institucional de la Unión y de conformidad con el método comunitario.

4.2 Optimizar la responsabilidad y la gobernanza a corto plazo

Teniendo presentes los principios expuestos, el debate sobre cómo garantizar una responsabilidad democrática y una gobernanza óptimas sin modificar los Tratados debe centrarse en medidas prácticas, en particular las destinadas a promover el debate parlamentario en el Semestre Europeo.

---

[23] Véase la Sentencia del asunto C-370/12, Pringle, apartados 109 – 111 y 158 – 162.

El punto de partida en este sentido debería ser el diálogo económico establecido recientemente por el *six pack*, en el que están previstos debates entre el Parlamento Europeo, por una parte, y el Consejo, la Comisión, el Consejo Europeo y el Eurogrupo, por otra. De esta forma podría preverse la participación del Parlamento en los debates sobre el Estudio Prospectivo Anual de la Comisión sobre el Crecimiento y, en particular, que se celebrasen dos debates en el Parlamento en los momentos clave del Semestre Europeo, a saber, antes de que el Consejo Europeo analice el Estudio Prospectivo y antes de que el Consejo adopte las recomendaciones específicas para cada país. Esto podría lograrse mediante un acuerdo interinstitucional entre el Parlamento Europeo, el Consejo y la Comisión. La Comisión y el Consejo también podrían asistir a las reuniones interparlamentarias que se celebrarán entre los representantes del Parlamento Europeo y los parlamentos nacionales durante el Semestre Europeo. Por otra parte, a petición de los parlamentos nacionales y con el fin de facilitar su labor, los miembros de la Comisión podrían asistir a sus debates sobre las recomendaciones específicas de la UE para cada país, .

Hay que reforzar en la práctica la aplicación del principio «cumplir o explicar», según el cual el Consejo debe rendir cuentas públicamente (en la práctica principalmente al Parlamento Europeo) sobre los cambios que introduce en las propuestas de supervisión económica presentadas por la Comisión, como las recomendaciones específicas para cada país.

En una UEM más profunda el Parlamento también debería participar más directamente en la selección de las prioridades plurianuales de la Unión expuestas en las orientaciones integradas del Consejo (orientaciones generales de política económica y orientaciones para las políticas empleo).

El Parlamento Europeo debería ser informado regularmente sobre la preparación y la ejecución de los programas de ajuste en los Estados miembros que reciben apoyo financiero, tal como se prevé en el *two pack*. Conviene destacar que esta condicionalidad de la política económica respecto a los Estados miembros afectados está delimitada por la coordinación de las políticas económicas efectuada en el marco de la UE.

Además, el Parlamento Europeo tiene la posibilidad de adaptar su organización interna a una UEM más fuerte. Por ejemplo, podría constituir una comisión especial sobre asuntos del euro que se encargaría del control y la toma de decisiones por lo que se refiere especialmente a la zona del euro.

Del mismo modo, todavía pueden adoptarse algunas otras medidas concretas sin modificar los Tratados para mejorar el funcionamiento del Eurogrupo y de su instancia preparatoria, en consonancia con la Declaración de la Cumbre de la zona del euro de 26 de octubre de 2011.

Por último, y sin que esto suponga un punto específico de la UEM, es posible tomar una serie de medidas de importancia significativa que promuevan la aparición de una auténtica esfera

política europea. En el contexto de las elecciones al Parlamento Europeo en 2014, esto incluye fundamentalmente que sean los partidos políticos los que propongan los candidatos al puesto de Presidente de la Comisión, así como una serie de medidas prácticas que son posibles en el marco de la actual legislación electoral de la UE. Por otra parte, conviene adoptar cuanto antes la propuesta de revisión del Estatuto de los partidos políticos europeos, presentada recientemente por la Comisión.

4.3 Temas de debate en caso de modificación de los Tratados

En el contexto de una reforma de los Tratados que confiera mayores competencias supranacionales a la UE, habría que considerar las medidas descritas a continuación a fin de garantizar el refuerzo correspondiente de la responsabilidad democrática:

En primer lugar, en aras de la visibilidad, la transparencia y la legitimidad, las actuales orientaciones generales de política económica y las orientaciones para las políticas de empleo (que se presentan conjuntamente como «orientaciones integradas», pero que se basan en dos fundamentos jurídicos distintos) deberían agruparse en un instrumento único que exprese las prioridades plurianuales de la Unión y, lo que es fundamental, ese instrumento debería adoptarse mediante el procedimiento legislativo ordinario que prevé la codecisión por el Parlamento Europeo y el Consejo.

En segundo lugar, para que esté debidamente legitimado, podría adoptarse como acto legislativo por el procedimiento de codecisión, si se considera necesario, un nuevo derecho de exigir la revisión de un presupuesto nacional de conformidad con los compromisos europeos. Esta solución, que garantiza un máximo de legitimidad democrática, se justifica porque los presupuestos anuales de los Estados miembros también son adoptados por sus parlamentos y revisten por lo general un carácter legislativo. Para garantizar un procedimiento decisorio rápido, la modificación de los Tratados debería establecer un nuevo procedimiento legislativo especial que constase de una única lectura.

La integración del MEDE en el marco de la UE, como se pide en el presente Plan director, permitiría someterlo a un control adecuado por parte del Parlamento Europeo.

Asimismo podrían considerarse una serie de adaptaciones institucionales:

Podrían conferirse a una «comisión sobre asuntos del euro» creada en el Parlamento Europeo determinadas competencias decisorias especiales además de las conferidas a otras comisiones, como una mayor influencia durante las fases preparatorias en el Parlamento o incluso la posibilidad de desempeñar una serie de funciones o de adoptar determinados actos en lugar del pleno.

Dentro de la Comisión, cualquier medida destinada a reforzar todavía más la posición del vicepresidente para Asuntos Económicos y Monetarios y Euro[24] requeriría adaptaciones del principio de colegialidad y, por consiguiente, modificaciones de los Tratados. Estas medidas podrían preverse a largo plazo para conferir una orientación política y una mayor responsabilidad democrática a una estructura similar a un Tesoro de la UEM dentro de la Comisión. En este contexto podría establecerse una relación especial de confianza y control entre el vicepresidente para Asuntos Económicos y Monetarios y una «comisión sobre asuntos del euro» en el Parlamento Europeo, aunque habría que reflexionar cuidadosamente sobre su diseño. El principio de colegialidad se aplica a las decisiones en todos los ámbitos políticos en los que la Comisión tiene competencias, desde la política de cohesión hasta la política de competencia. Implica un sistema de controles y equilibrios internos colectivos que contribuye a hacer más legítima la acción de la Comisión.

A veces se hace un llamamiento para reforzar más el Eurogrupo confiándole la responsabilidad de las decisiones relativas a la zona del euro y sus Estados miembros. Esto exigiría una modificación de los Tratados, ya que el carácter puramente informal del Eurogrupo expuesto en el Protocolo n° 14 implica que es un mero foro de debate no facultado para adoptar decisiones. Dicho esto, los Tratados vigentes, en los artículos 136 y 138 del TFUE, ya han establecido el modelo de que el Consejo adopte decisiones únicamente con los votos de los miembros pertenecientes a la zona del euro. En el presente Plan director la Comisión aboga por incorporar nuevas bases jurídicas en los Tratados que sigan ese modelo. En la práctica, la diferencia principal entre ese modelo y un Eurogrupo con poderes decisorios sería que, en el segundo caso, se excluiría a los representantes de los Estados miembros no pertenecientes a la zona del euro no solo de las votaciones, sino también de las deliberaciones y los trabajos preparatorios llevados a cabo en instancias inferiores a las reuniones de los ministros. Ahora bien, la Comisión opina que esto no sería conveniente, puesto que en realidad daría lugar al establecimiento de un «Consejo de la zona del euro»

---

[24] Hay que recordar que en octubre y noviembre de 2011 ya se reforzó considerablemente la posición del Comisario para Asuntos Económicos y Monetarios mediante diversos actos adoptados dentro de los límites fijados por las normas de los Tratados vigentes, a fin de garantizar la independencia, la objetividad y la eficacia en el ejercicio de las responsabilidades de la Comisión en materia de coordinación, supervisión y cumplimiento de la normativa en el ámbito de la gobernanza económica de la Unión y de la zona del euro. En particular, tras una modificación de su Reglamento interno, las decisiones de la Comisión en este ámbito se adoptan a propuesta del vicepresidente encargado de Asuntos Económicos y Monetarios y Euro mediante un procedimiento escrito especial que permite tomar decisiones de manera más objetiva y eficaz. Asimismo el vicepresidente está facultado para, de acuerdo con el presidente, adoptar decisiones en nombre de la Comisión en diversos ámbitos relativos al *six-pack* y en relación con los programas de ajuste económico en el marco del MEDEF, el FEEF y el MEDE. Por último, todas las iniciativas de la Comisión que puedan afectar al crecimiento, la competitividad o la estabilidad económica requieren la consulta previa a los servicios del vicepresidente.

como institución aparte sin tener debidamente en cuenta la convergencia entre los miembros actuales y futuros de la zona del euro.

Por añadidura, un punto específico que debería abordarse en la modificación de los Tratados sería el refuerzo de la responsabilidad democrática en el BCE en la medida en que actúa como supervisor bancario, en particular permitiendo que el Parlamento Europeo ejerza un control presupuestario ordinario sobre esa actividad. Al mismo tiempo, el artículo 127, apartado 6, del TFUE podría modificarse para hacer que sea de aplicación el procedimiento legislativo ordinario y eliminar algunas de las restricciones jurídicas que se aplican actualmente al diseño del mecanismo único de supervisión (MUS) (por ejemplo, incorporar una opción de participación directa e irrevocable de los Estados miembros no pertenecientes a la zona del euro en el MUS, más allá del modelo de «estrecha cooperación», conceder a los Estados miembros no pertenecientes a la zona del euro que participen en el MUS la plena igualdad de derechos en el proceso decisorio del BCE, e ir todavía más allá en la separación interna del proceso decisorio en materia de política monetaria y de supervisión). También podría considerarse una modificación de los Tratados que confiriese un estatus especial a las agencias en el ámbito de la regulación financiera y reforzase su carácter supranacional y, por ende, su responsabilidad democrática. Ello no solo aumentaría considerablemente la eficacia de la Autoridad Europea de Supervisión (AES), sino que facilitaría mucho el establecimiento y funcionamiento del mecanismo único de resolución pendiente de creación.

Otra forma de reforzar la legitimidad de la UE sería ampliar las competencias del Tribunal de Justicia, es decir, suprimir el artículo 126, apartado 10, del TFUE, con lo que se admitirían procedimientos de infracción respecto a los Estados miembros, o establecer nuevos procedimientos y competencias especiales, aunque conviene no olvidar que algunas cuestiones no se prestan a un control judicial pleno.

Si la modificación de los Tratados fuera más allá de las cuestiones referentes a la UEM, debería incluir el objetivo de generalizar el procedimiento legislativo ordinario, es decir, el procedimiento de codecisión del Parlamento Europeo y el Consejo, por mayoría cualificada, en vez de los supuestos que aún subsisten en los que se aplican procedimientos legislativos especiales.

Por último, una modificación de los Tratados para permitir la mutualización de la emisión de deuda soberana, respaldada por una estructura de garantía solidaria del conjunto de los Estados miembros de la zona del euro, plantearía problemas específicos para garantizar una responsabilidad democrática adecuada. El problema de responsabilidad subyacente es que una estructura de garantía solidaria de este tipo, si los acreedores reclaman sus derechos, podría dar lugar a una carga financiera considerable para las finanzas de un Estado miembro determinado, que son responsabilidad del parlamento nacional, aunque esa carga sea el resultado de decisiones políticas adoptadas a lo largo del tiempo por otros Estados miembros bajo la responsabilidad de sus parlamentos. Mientras la UE no goce de competencias de amplio alcance para determinar la política económica en la zona del euro ni se conceda al Parlamento Europeo la responsabilidad de decidir sobre los recursos de un gran presupuesto

central, este problema de responsabilidad no podrá solucionarse confiando simplemente la gestión de la deuda soberana mutualizada a un órgano ejecutivo de la UE, aunque este órgano sí sea responsable ante el Parlamento Europeo.

Por el contrario, este problema ya no se plantearía en una unión económica y fiscal plena que contara con un presupuesto central importante cuyos recursos procederían, en gran medida, de una potestad tributaria autónoma específica y de la posibilidad de que la UE emitiera su propia deuda soberana, conjuntamente con una soberanía ejercida en común, a gran escala, en lo que se refiere a la política económica a nivel de la UE. El Parlamento Europeo gozaría de una competencia reforzada de colegislación respecto a esta tributación autónoma y garantizaría el control democrático necesario de todas las decisiones adoptadas por el órgano ejecutivo de la UE. Los Estados miembros no serían responsables solidariamente de la deuda soberana de cada uno de ellos, sino como mucho de la de la UE.

Si se modificasen los Tratados para permitir, en una fase transitoria, la emisión de euroletras a corto plazo y se reforzasen las competencias en materia de gobernanza económica, habría que concebir un modelo de responsabilidad que reposase tanto sobre la UE como sobre los Estados miembros. El Parlamento Europeo se responsabilizaría de las decisiones de gestión de las euroletras, que serían adoptadas por un Tesoro de la UEM en el seno de la Comisión. Dicho esto, convendría que el Consejo también adoptase decisiones por unanimidad de los Estados miembros de la zona del euro con la aprobación del Parlamento Europeo, sobre el primer establecimiento y la renovación periódica subsiguiente del sistema de euroletras. Cada Estado miembro podría prever, dentro de su sistema constitucional nacional, el grado de responsabilidad de su parlamento nacional que considerase necesario para autorizar las decisiones relativas al establecimiento y la renovación del sistema.

La propuesta de un fondo de amortización de la deuda plantea cuestiones de responsabilidad de una naturaleza distinta. La concepción de un modelo que garantice una responsabilidad adecuada para dicho fondo de amortización presupondría la posibilidad de formular su base jurídica con gran precisión jurídica por lo que se refiere al máximo de deuda negociable, el tiempo máximo de funcionamiento y todos los demás aspectos, a fin de garantizar la seguridad jurídica necesaria con arreglo a las normas constitucionales nacionales. Si fuera posible garantizar esto, podría concebirse una nueva base jurídica de los Tratados que permitiese crear tal fondo de amortización mediante una decisión del Consejo adoptada por unanimidad de los Estados miembros de la zona del euro, con la aprobación del Parlamento Europeo y sujeta a la ratificación por los Estados miembros de conformidad con sus respectivas normas constitucionales. Esta decisión determinaría el volumen máximo, la duración y las condiciones exactas de participación en el fondo. Entonces la Comisión, responsable ante el Parlamento Europeo, gestionaría el fondo con arreglo a las normas específicas establecidas en la decisión del Consejo.

ANEXO 1: instrumento de convergencia y competitividad

Los pasos hacia una auténtica UEM en el ámbito de la coordinación de las políticas económicas deberán basarse en el sistema actual, pero en el marco de un proceso reforzado. En este marco sería clave la apropiación nacional de las reformas, acompañada de un aumento gradual del papel que desempeñarían las orientaciones a nivel de la zona del euro cuando los Estados miembros no adoptasen las medidas oportunas. Los mayores efectos indirectos en la unión monetaria exigen este tipo de proceso más estricto de coordinación de las políticas económicas de los Estados miembros de la zona del euro. Por tanto, sobre la base de los Tratados actuales el legislador podría establecer un marco integrado para la vigilancia de las políticas económicas compuesto por dos elementos: 1) un mecanismo de coordinación sistemática *ex ante* de todos los grandes proyectos de reforma de los Estados miembros en el contexto del Semestre Europeo, previsto en el artículo 11 del Tratado de Estabilidad, Coordinación y Gobernanza, y 2) un instrumento de convergencia y competitividad en el marco del procedimiento de desequilibrio macroeconómico (PDM) basado en acuerdos contractuales entre la Comisión y los Estados miembros de la zona del euro, asociado a la posibilidad de la ayuda financiera.

Este marco complementaría el procedimiento de desequilibrio macroeconómico, así como el marco existente para la supervisión de la situación presupuestaria de los Estados miembros (el Pacto de Estabilidad y Crecimiento). Tendría un objetivo doble: en primer lugar, consolidaría los procedimientos existentes, en particular reforzando la coordinación *ex ante* de las principales reformas económicas; y en segundo lugar, reforzaría el diálogo con los Estados miembros de la zona del euro con el fin de aumentar la apropiación nacional gracias a la introducción de acuerdos contractuales celebrados entre la Comisión y los Estados miembros. Iría acompañado de un sistema específico de apoyo financiero, que constituiría la primera fase de la creación de capacidad fiscal de la UEM. Las disposiciones contractuales, junto con el apoyo financiero, podrían agruparse en un instrumento de convergencia y competitividad (ICC) para la UEM.

En las próximas propuestas de la Comisión figurarán las condiciones precisas tanto para el mecanismo de coordinación *ex ante* de las reformas como para el instrumento de convergencia y competitividad, basado en acuerdos contractuales acompañados de apoyo financiero. Las propuestas de la Comisión también tendrán como objetivo racionalizar los procedimientos existentes que se han ido creando con el tiempo (Semestre Europeo, programas de reforma nacionales, procedimiento de desequilibrio macroeconómico, etc.).

El proceso previsto se desarrollará de la siguiente forma:

En el Semestre Europeo, las innovaciones consistirían en la introducción de una coordinación sistemática *ex ante* de las principales reformas económicas, un diálogo más intenso con los Estados miembros, la introducción de acuerdos contractuales que deberán ser consensuados por la Comisión y los Estados miembros de la zona del euro y un apoyo financiero asociado a la implementación de dichos acuerdos contractuales.

1. La Comisión publica el Estudio Prospectivo Anual sobre el Crecimiento y una propuesta de orientaciones integradas: las orientaciones generales de política económica y las orientaciones para las políticas de empleo. Estas fijarían las prioridades y objetivos (cuantificados o no) para el año próximo, tanto respecto a las políticas de los Estados miembros como a escala de la UE. Las medidas para toda la UE podrían incluir propuestas concretas que, una vez acordadas y puestas en marcha, requerirían la intervención de los colegisladores. Se consultaría al Parlamento Europeo (actualmente solo es obligatorio hacerlo en el caso de las orientaciones para las políticas de empleo; se concluiría un acuerdo político para consultar al PE sobre el paquete completo de orientaciones). Paralelamente, la Comisión presentaría el informe sobre el mecanismo de alerta, en el que se identifican los Estados miembros que se considera están afectados por desequilibrios y que se someterían entonces a un examen exhaustivo (para valorar si realmente existen tales desequilibrios y, en caso afirmativo, si son excesivos).

2. Basándose en esta orientación, cada uno de los Estados miembros de la zona del euro presenta un programa nacional de reforma, un documento único que incluye propuestas de medidas políticas fundamentales para mejorar su crecimiento y su competitividad, así como un programa de estabilidad en el que expone sus planes fiscales a medio plazo.

3. La Comisión analiza los programas y presenta su evaluación en una serie de documentos de trabajo de sus servicios que también ponen de relieve los desafíos pendientes. Estos documentos se publicarían antes de lo que se hace actualmente, a fin de permitir el diálogo sobre el análisis. Paralelamente la Comisión redacta una valoración horizontal de las principales reformas económicas propuestas en los países de la zona del euro. Este documento horizontal y sus conclusiones se debaten en el Eurogrupo y el Consejo ECOFIN a fin de coordinar sistemáticamente *ex ante* los principales planes de reformas.

4. A continuación la Comisión presenta una propuesta de recomendaciones específicas para cada país en las que expone las medidas políticas concretas acordadas y el calendario previsto para su implementación. Paralelamente la Comisión presenta a los Estados miembros que tienen desequilibrios excesivos una recomendación en la que hace constar la existencia de dicho desequilibrio y recomienda que el Estado miembro afectado tome medidas correctivas. Gracias al proceso de diálogo informal sobre el análisis de las políticas, las recomendaciones para cada país serán más detalladas, adaptadas a cada ámbito político y acotadas en el tiempo. Las recomendaciones específicas para cada país se centrarían en un número reducido de elementos clave relacionados con las deficiencias detectadas en materia de crecimiento y ajuste en el Estado miembro de que se trate. Este carácter más centrado y específico conferiría mayor impulso a los trabajos de reforma en los Estados miembros.

5. Tras la adopción por el Consejo de las recomendaciones específicas para cada país, incluidas las recomendaciones sobre el PDM, los Estados miembros sometidos a las vertientes preventiva y correctiva del PDM presentan (con carácter voluntario los primeros y obligatorio los segundos) una propuesta de acuerdo contractual en la que figuran las medidas políticas concretas que tengan previsto aplicar y un calendario de las mismas, basada en las recomendaciones antes mencionadas. En el caso de los Estados miembros sometidos a la vertiente correctiva del PDM, el plan de medidas correctoras correspondería a los acuerdos contractuales que deberían concluirse con la Comisión. En el caso de los Estados miembros sometidos a la vertiente preventiva, los acuerdos contractuales consistirían en un plan de acción similar al requerido en virtud de la vertiente correctiva.

   Para los Estados miembros sometidos a la vertiente correctiva, la negociación de los acuerdos contractuales corresponde a la aprobación del plan de medidas correctoras, por lo que se aplican los artículos 8 a 12 del Reglamento 1176/2011.

   Para los Estados miembros sometidos a la vertiente preventiva deberán aplicarse un procedimiento y unos plazos similares, incluso en lo que concierne a la supervisión y la evaluación de la aplicación de las medidas previstas en los acuerdos contractuales, aunque no se aplicarán sanciones.

   Cada año los Estados miembros presentarán informes sobre sus progresos respecto a la aplicación de sus acuerdos contractuales en sus programas nacionales de reforma.

6. Los acuerdos contractuales irán acompañados de apoyo financiero. Se asociarán a las recomendaciones específicas por país emanadas del PDE, que se centran en reforzar la capacidad de ajuste y la competitividad de los Estados miembros, es decir, aquellos

ámbitos en los que las reformas tendrían amplias repercusiones positivas para otros Estados miembros y son por tanto necesarias para garantizar el buen funcionamiento de la UEM.

El apoyo financiero consistiría en una cantidad a tanto alzado asignada por acuerdo contractual en vez de a reformas específicas. La definición y el uso de las cantidades y del desembolso (que puede constar de más de un tramo) dependerán de la condicionalidad (medidas o reformas que deban aplicar los Estados miembros) y deberán especificarse también en los acuerdos contractuales.

Además de las sanciones y el procedimiento subyacente aplicable a los Estados miembros sometidos a la vertiente correctiva (como prevé el Reglamento 1174/2011), los acuerdos contractuales podrían tener carácter ejecutorio en el sentido de que la Comisión pueda dirigir una advertencia (recurriendo al artículo 121, apartado 4, del TFUE) a un Estado miembro si no cumple tales acuerdos. Estas advertencias, que la Comisión puede emitir de manera autónoma, podrían incluir un llamamiento a los Estados miembros para que corrijan la desviación, fijando un plazo. Si no se cumple el plazo puede retenerse el apoyo financiero.

El apoyo financiero se financiará mediante un fondo o instrumento financiero especial, como se indica en el corpus del texto. Se pedirá a los Estados miembros de la zona del euro que contribuyan ese fondo con arreglo a una clave de reparto dependiente de la RNB.

Cuando la Comisión presente sus propuestas para reforzar y racionalizar los procedimientos existentes examinará también los riesgos de las posibles consecuencias no deseadas del apoyo financiero, como los riesgos morales (p. ej., que se recompense a países con unos resultados relativamente pobres) y las pérdidas de eficiencia (reformas que se habrían llevado a cabo en cualquier caso, incluso sin incentivos adicionales).

ANEXO 2: Representación exterior de la zona del euro

La mayor integración que se acordará deberá reflejarse en las relaciones exteriores, avanzando hacia una representación económica exterior unida de la UE y de la zona del euro en particular. El refuerzo del papel de la Unión Económica y Monetaria es parte integrante de los esfuerzos actuales para mejorar la gobernanza económica en la zona del euro.

Una de las principales enseñanzas de la crisis es que, ante una perturbación mundial que requiere una respuesta colectiva, el factor determinante para influir sobre el tipo de respuesta política que se dará en las instituciones y foros internacionales es el tamaño de la zona del euro. Gracias al euro fundamentalmente, en los últimos años la Unión Europea se ha convertido en la interlocutora natural de las principales potencias económicas cuando se trata del crecimiento mundial, la ayuda financiera o la regulación financiera. Sin embargo, debido a la fragmentación actual de su representación en los foros e instituciones financieras internacionales, la zona del euro no tiene una influencia y un liderazgo acordes a su peso económico.

Para ser plenamente efectivo, el refuerzo de la gobernanza económica en la zona del euro debe ir acompañado de pasos hacia una representación exterior de la zona del euro más unificada y coherente. Esta evolución debería reflejar el refuerzo considerable de la gobernanza económica interior en curso actualmente.

Hay que reforzar la representación exterior de la zona del euro[25] para que desempeñe el papel que le corresponde tanto en los foros e instituciones multilaterales como en los diálogos bilaterales con socios estratégicos. De esta forma se conseguirá transmitir un mensaje único sobre asuntos como la política económica y fiscal, la vigilancia macroeconómica, las políticas cambiarias y la estabilidad financiera.

Para conseguir estos objetivos habrá que consensuar una hoja de ruta destinada a racionalizar y unificar la representación exterior de la zona del euro en las organizaciones y los foros financieros internacionales.

Se prestará especial atención al FMI, que a través de sus instrumentos de crédito y su actividad de supervisión es un pilar institucional clave en la gobernanza económica mundial. En este momento, los diecisiete Estados miembros de la zona del euro están dispersos entre ocho jurisdicciones y presidencias y tienen hasta cinco directores ejecutivos. Actualmente la presencia de las instituciones de la Unión en el FMI es muy reducida. El Banco Central Europeo tiene estatuto de observador en el Directorio Ejecutivo del FMI y en el Comité Monetario y Financiero Internacional.

---

25 Es decir, que la UE represente a los Estados miembros de la zona del Euro de conformidad con los Tratados.

El artículo 138, apartado 2, del TFUE prevé la adopción de las medidas adecuadas para contar con una representación única en las instituciones y conferencias financieras internacionales. El objetivo subyacente a este artículo era conseguir una representación única y más fuerte de la Unión para los Estados miembros de la zona del euro en dichas instituciones y conferencias, ya que se consideraba que la eficacia de los acuerdos informales existentes para representar a la zona del euro no eran satisfactoria[26].

Es necesario reforzar la infraestructura de coordinación de la zona del euro en Bruselas y en Washington. El proceso de coordinación de la zona del euro debe mejorarse y los Estados miembros deberán suscribir los mensajes comunes obligatoriamente. Habrá que reorganizar las jurisdicciones de países a fin de reagrupar a los países en jurisdicciones de la zona del euro dentro del FMI, que también podrían incluir a los futuros Estados miembros de la zona del euro. Paralelamente, habrá que negociar con el FMI a fin de obtener para la zona del euro el estatus de observador en su Directorio Ejecutivo. Los Estados miembros de la zona del Euro comparten una moneda única, una política monetaria y cambiaria única y la gestión de sus reservas de divisas a través del Sistema Europeo de Bancos Centrales. Los cambios introducidos recientemente en la gobernanza de la zona del euro han modificado de manera fundamental la forma de coordinar las políticas fiscales y económicas a nivel europeo. En las cuestiones relativas a la zona del euro la Comisión Europea se ha convertido en la interlocutora natural del FMI. Por otra parte, más recientemente la Comisión y el BCE han colaborado estrechamente con el FMI en la negociación de los paquetes de ayuda financiera asignados a algunos Estados miembros de la zona del euro y de la UE, así como, de manera más general, en materia de supervisión. En este contexto, la concesión del estatus de observador a la zona del euro, representada por la Comisión Europea (en asociación con el Banco Central Europeo en el ámbito de la política monetaria) es esencial para aumentar las sinergias de la cooperación entre el FMI y las principales instituciones encargadas de la gestión diaria de la zona del euro.

Para conseguir el objetivo a más largo plazo de una representación única de la zona del euro en el FMI, convendría considerar un planteamiento gradual que permitiera a todos los implicados tomar las medidas institucionales necesarias a tal fin.

En cuanto a las medidas concretas, la Comisión Europea:

- presentará una hoja de ruta que incluirá las etapas necesarias para consolidar una representación única de la zona del euro en el FMI con el tiempo;

- presentará, a su debido tiempo y de conformidad con el artículo 138, apartado 2, del TFUE, propuestas formales destinadas a llegar a una posición común para que se conceda

---

[26] Véase además Convención Europea, Informe definitivo del Grupo de trabajo VI sobre gobernanza económica, WG VI 17, 21.10.2002, p. 8. cf. así como Informe definitivo del Grupo de trabajo VII sobre acción exterior, WG VII 17, 16.12.2002, p. 66.

a la zona del euro el estatus de observador en el Directorio Ejecutivo del FMI y, subsiguientemente, una representación única;

- presentará una propuesta para mejorar la coordinación entre los Estados miembros por lo que respecta a las cuestiones del FMI relacionadas con la UEM;

- examinará la forma de aprovechar las posibilidades que ofrece el artículo 138, apartado 1, del TFUE para proponer posiciones comunes en los asuntos de especial interés para la Unión Económica y Monetaria dentro de las conferencias e instituciones financieras internacionales competentes;

- promoverá la representación de la zona del euro en el contexto de las relaciones bilaterales con los principales interlocutores económicos. El marco de las conversaciones con China sobre cuestiones macroeconómicas y cambiarias (llevadas a cabo por una delegación de la zona del euro[27]) podría servir de modelo.

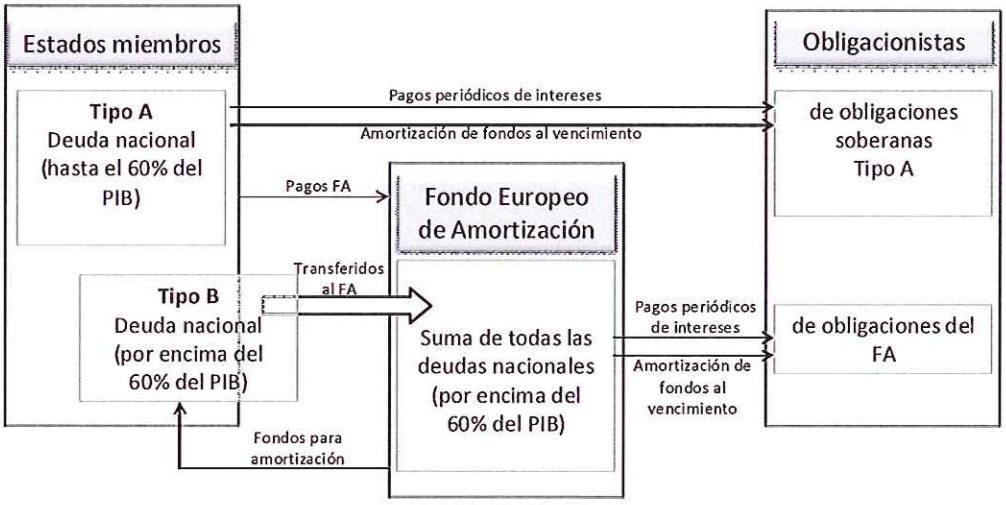
[27] Esta delegación está compuesta por el comisario de Asuntos Económicos y Monetarios, el Presidente del Eurogrupo y el Presidente del Banco Central Europeo.

ANEXO 3: Un fondo europeo de amortización

El concepto de fondo de amortización (FA) fue presentado por primera vez en 2011 por el consejo alemán de expertos económicos. La idea fundamental es ofrecer un marco que permita situar la deuda pública de los Estados miembros de la zona del euro en unos niveles sostenibles mediante la reducción de sus costes globales de financiación a cambio de compromisos adicionales en materia de gobernanza fiscal.

Como planteamiento básico, la deuda pública de los Estados miembros se dividiría en dos partes: 1) una parte equivalente al 60 % del PIB, que es el límite estipulado por el Pacto de Estabilidad y Crecimiento; esta parte seguiría estando bajo la responsabilidad de cada uno de los Estados miembros, y 2) una parte que consistiría en la deuda pública que exceda del límite del 60 % del PIB, que se transferiría y agruparía en un fondo común de amortización y, por ende, pertenecería a dicho fondo, aunque los Estados miembros estarían obligados a amortizar de forma autónoma la deuda transferida en un plazo específico (p. ej., 25 años). El fondo de amortización se financiaría emitiendo sus propias obligaciones, que serían gestionadas colectivamente por todos los Estados miembros participantes. Para hacer atractivas estas obligaciones del FA y facilitar su comercialización, habría que ofrecer a los inversores garantías suficientes sobre su calidad crediticia. Así, lo ideal sería que las obligaciones estuvieran respaldadas por una garantía solidaria de todos los Estados miembros de la zona del euro. Estas garantías solidarias harían que los costes de financiación para los Estados miembros participantes fueran relativamente bajos, aliviando así la carga general del servicio de la deuda que les correspondería. Habrá que especificar con exactitud el calendario de reembolsos de cada Estado miembro, que deberá basarse en un método de cálculo transparente que especifique el tipo de tramos (siempre iguales o dependientes de la situación económica, p. ej., en forma de porcentaje del PIB, con lo que los pagos anuales se adaptarían al ciclo económico). La Figura 1 muestra un esquema del sistema.

Figura 1: Esquema del fondo europeo de amortización



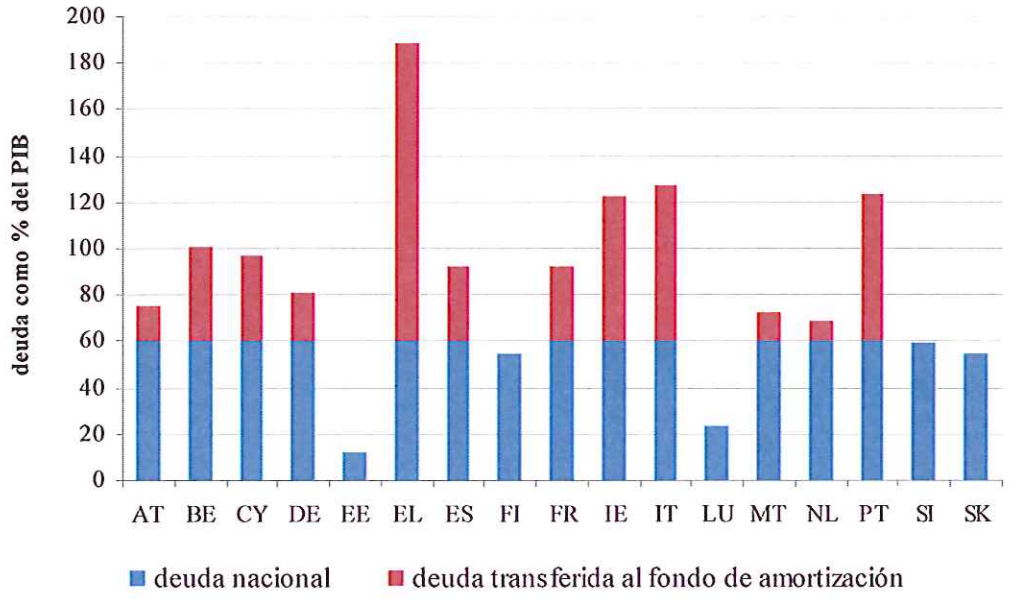
El planteamiento del fondo de amortización conlleva un riesgo moral, ya que la garantía solidaria y los subsiguientes costes de financiación más bajos para los Estados miembros podrían generar unos incentivos no deseados para contraer una deuda mayor. Este riesgo deberá compensarse mediante compromisos adicionales de los Estados miembros en materia de gobernanza económica. Como condición previa para participar en el fondo se fijará un proceso de saneamiento presupuestario y reforma estructural para cada Estado miembro, lo

que le obligará a reembolsar la deuda de manera autónoma en un plazo determinado. Los acuerdos de saneamiento y reforma constituyen una condición esencial para la credibilidad y podrían incluir: i) la asignación específica de ingresos fiscales a las obligaciones de pago al fondo de amortización, ii) el depósito de colaterales, iii) la obligación de emprender las reformas estructurales y las medidas de saneamiento acordadas previamente. En caso de incumplimiento podría interrumpirse inmediatamente la transferencia de deuda nacional al FA.

Desde un punto de vista práctico, la amortización de la deuda que llega a su vencimiento y las nuevas necesidades de financiación de los Estados miembros participantes se financiarían con el dinero obtenido por la venta de obligaciones del FA[28] hasta que el pasivo transferido alcanzara las sumas acordadas. Será necesario un contrato/marco jurídico claro y estricto que rija esta transferencia de deuda y que regule, en particular: i) los importes máximos que podrán transferirse[29], ii) el sistema de reembolso, y iii) la prioridad de las obligaciones emitidas por el FA sobre las obligaciones nacionales.

Gracias a la transferencia al FA, la deuda total de un país se dividirá en dos partes: deuda nacional y obligaciones emitidas por el FA[30] (véase la Figura 2).

Figura 2: Estructura de la deuda de los Estados miembros con arreglo al sistema del fondo de amortización



Fuente: Comisión Europea, previsiones de otoño de 2012, previsiones relativas a la deuda para 2013

28 La gestión del FA se confiaría a una institución *ad hoc* que se crearía en virtud del Tratado, es decir, una entidad de gestión de la deuda europea dentro de la Comisión, responsable ante el Parlamento Europeo.

29 El contrato también deberá especificar claramente que las sumas transferibles acordadas no son ampliables.

30 La dimensión global de FA podría alcanzar los 3 billones EUR (cálculo efectuado sobre la base de las previsiones de otoño 2012 de la Comisión Europea).

La creación del FA plantearía varias dificultades. En primer lugar, si bien la totalidad de la zona del euro se beneficiaría de una bajada del riesgo soberano y sistémico gracias a la reducción de los niveles globales de deuda, especialmente los de los países más vulnerables, aparentemente los Estados miembros con una calidad crediticia elevada se beneficiarían relativamente menos. Por tanto, habría que crear incentivos para la participación de esos Estados miembros. En segundo lugar, puesto que la deuda excesiva se cubriría mediante garantías solidarias, se convertiría en un activo de riesgo relativamente poco elevado, con lo que el efecto disciplinario de los mercados se debilitaría considerablemente. En efecto, este elemento se transferiría integralmente a los cogarantes. En tercer lugar, el objetivo del FA es reducir los niveles de endeudamiento y no debería ofrecer incentivos para que los Estados prolongasen innecesariamente su participación en él únicamente para beneficiarse de unos costes de financiación más bajos. Por último, desde una perspectiva de mercado, una duración limitada del sistema reduciría la liquidez del mercado en el periodo final de dicho sistema, lo que cuestionaría la función y la utilización de las obligaciones emitidas conjuntamente como referencia, así como la probabilidad de establecer mercados de derivados. Tras la expiración de la emisión común el mercado de obligaciones públicas de la zona del euro estaría tan poco integrado como actualmente y no se conseguiría ninguno de los beneficios potenciales de la emisión común.

ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPÉEN PARLAIMINT NA hEORPA PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU PARLAMENTUL EUROPEAN
EURÓPSKY PARLAMENT EVROPSKI PARLAMENT EUROOPAN PARLAMENTTI EUROPAPARLAMENTET

EUROPEAN PARLIAMENTARY WEEK ON THE EUROPEAN SEMESTER FOR ECONOMIC POLICY COORDINATION

28-30 JANUARY 2013



SEMAINE PARLEMENTAIRE DU SEMESTRE EUROPEEN POUR LA COORDINATION DES POLITIQUES ECONOMIQUES

28-30 JANVIER 2013

DIRECTORATE-GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D
BUDGETARY AFFAIRS

BUDG

EUROPEAN PARLIAMENT

European Parliamentary Week
on the European Semester for Economic Policy Coordination
Brussels

Interparliamentary Committee Meeting
organised by the Committee on Budgets (BUDG)

Tuesday 29 January, 11:00 - 13:00
József Antall building, room 4Q2

DRAFT PROGRAMME as of 22/1/2013

THE ROLE OF THE EU BUDGET IN SUPPORTING MEMBER STATES IN THE ACHIEVEMENT OF THEIR ECONOMIC OBJECTIVES AS AGREED WITHIN THE FRAMEWORK OF THE EUROPEAN SEMESTER: THE EXAMPLE OF INNOVATION, RESEARCH AND DEVELOPMENT.

11.00 - 11.05	Opening address by Alain Lamassoure, Chair of the BUDG Committee
11.05 - 11.15	Introductory remarks by Janusz Lewandowski, Commissioner for Financial Programming and Budget, European Commission
11.15 - 11.25	Introductory remarks by Ciarán Lynch, Chairman of the Joint Committee on Finance, Public Expenditure and Reform of the Irish Parliament (*Oireachtas*)
11.25 - 12.50	Exchange of views between Members of the European Parliament and National Parliaments with the invited speakers
12.50 - 13.00	Concluding remarks by Catherine Trautmann, Rapporteur of the Committee on Budgets on the European Semester

1

Questions for the Interparliamentary Committee Meeting on Budgets within the European Parliamentary Week (29 January 2013, 11h00-13h00)

Taking into account the analyses of the Annual Growth Survey and the national reform programme of your country, what do you expect from the EU budget for 2014 and the following years? In particular:

- In your opinion, which are the areas where EU financing seems most appropriate and best targeted to accompany your national efforts?

- more specifically, how do you think the EU budget should contribute to support Member States in achieving their R&D objectives and what level of R&D financing on EU level would you consider necessary?

- How do you assess the current way of financing the EU budget and the contribution of your own country to this financing? Do the reform proposals presented by the European Commission in the framework of the next multiannual financial framework go in the right direction to relieve the pressure from national budgets?

Alain LAMASSOURE

3

- In the last years the national budgets of most member states are facing additional tasks, related to the EU, like the ESM, the proposals for new funds, related to the Banking Union, the fiscal instrument for the EMU, etc. These funds are financed by the same taxpayers' money. Would you consider appropriate to start producing consolidated information for the fiscal commitments to the various EU related policies?

- Would you like to see the EU funds being more flexible between headings and fiscal years, especially in the time of crisis? Would you support a midterm revision of the EU budget in 3 yrs time to better reflect the economic developments in the EU?

- Would you support to deduct from the calculation of national expenditures the national contribution to the EU budget, especially when related to further investments?

As well as few questions already raised in The Opinion on the European Semester for Economic Policy Coordination: Annual Growth Survey 2013, Rapporteur: Catherine Trautmann:

3. Recalls, in this connection, that one of the interparliamentary meetings to be organised in the context of the 'European Parliamentary Week on the European Semester for Economic Policy Coordination' will deal with 'The role of the EU budget in supporting Member States in the achievement of their economic objectives as agreed within the framework of the European Semester: the example of innovation, research and development'; asks the Commission to provide Members of the European Parliament and of the national parliaments with some concrete and factual evidence to inform this discussion;

4. Is convinced that funding at EU level can generate savings for all the Member States' budgets and that this should be emphasised; considers that the EU budget has a vital role to play in stimulating growth, boosting job creation and successfully reducing macroeconomic imbalances throughout the Union, and basically also in reaching the 'EU-2020 goals'; regrets once again that the Commission fails to address this issue in its Communication on the AGS;

7. Calls on Member States to make full use of the additional financing opportunities provided for by the European Investment Bank and the new instrument of project bonds; requests the Commission to provide updated information on the progress achieved so far in this respect since the adoption of the Compact for Growth and Jobs;

Ivailo Kalfin

Coordinator S&D group

3

The interparliamentary budget committee meeting in Brussels, 29 January 2013

The European Commission's Annual Growth Survey 2013, which marks the start of the European Semester, stresses the necessity of member states implementing measures to promote sustainable growth in order to facilitate recovery from the economic crisis and to strengthen the EU's ability to compete globally.

As regards the EU budget from 2014 onwards, we consider that measures to strengthen economic growth in Europe are vital. Such measures must, however, be taken in combination with a restrictive budget policy. This places considerable demands on priorities and on a modernisation of the budget, involving measures to stimulate growth and jobs, and special promotion of projects with clear European added value, in parallel with cuts and rationalisations, primarily in the field of agricultural, but also cohesion, policy.

We consider that the Commission's proposed budget framework is too high, and recommend a substantial freezing of budget expenditure at the current level. However, provided the said review of priorities and measures to improve efficiency are carried out, such a freezing of expenditure should not obstruct increased investments in such important areas as education, research, infrastructure and environmental policy.

It is positive that the Commission's budget proposal, seen across the entire period, involves increases in areas that contribute to growth and with a clear European added value. Increased resources are, for example, proposed for infrastructure investments and R&D and certain reductions within the fields of agricultural and cohesion policy. These changes are a step in the right direction, but the savings in and reform of the common agricultural policy and cohesion policy should be more extensive. We consider it correct to concentrate regional policy measures to the least-developed regions in the EU. However, this does not mean that such measures should be adjusted to purely serve as a form of support for the poorest regions.

The Commission proposes that certain large-scale projects should be placed outside the budget framework. In our opinion, this is inappropriate. Instead, the procedures for budget and follow-up should be improved. Setting priorities is a central aspect of the budget process and there are considerable opportunities to revise priorities within the given budget framework.

As regards financing of the EU budget, it can be noted that the Commission proposes extensive changes to the system for own resources. We consider that budget revenue and expenditure must be regarded in a single context and that any reforms of the system for EU revenue must be preceded by comprehensive reforms of budget expenditure. The various corrections have emerged because the overall budget burden for individual member states has become unreasonably distorted, owing to a very uneven distribution of budget expenditure. A necessary condition for changing the revenue side of the budget is therefore that the expenditure side is heavily reformed too.

Mr Bo Bernhardsson MP, Social democratic party Committee on Finance Swedish parliament	Mr Göran Pettersson MP, Moderate party Committee on Finance Swedish parliament

3

EUROPEAN PARLIAMENT 2009 - 2014

Committee on Budgets

2012/2256(INI)

19.12.2012

OPINION

of the Committee on Budgets

for the Committee on Economic and Monetary Affairs

on the European Semester for Economic Policy Coordination: Annual Growth Survey 2013
(2012/2256(INI))

Rapporteur (*): Catherine Trautmann

(*) Associated committee – Rule 50 of the Rules of Procedure

4 PA_NonLeg

SUGGESTIONS

The Committee on Budgets suggests to the Committee on Economic and Monetary Affairs, as the committee responsible, to take up the following considerations in its report:

1. Regrets the absence of new proposals from the Commission on an enhanced democratisation of the European Semester process, which remains absolutely necessary and should be a high priority; notes the Commission's 'Blueprint for a Deep and Genuine EMU – Launching a European Debate'; reaffirms its call for an appropriate 'checks and balances' system, through enhanced participation of both the European Parliament and the national parliaments and strengthened coordination between them in all phases of the European Semester (on the basis of Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) in order to transform the current very formal exercise of the European Semester into genuine economic and budgetary cooperation;

2. Regrets that, in its 'Annual Growth Survey 2013' Communication (COM(2012)0750), the Commission did not properly address the role of the EU budget in the European Semester process; regrets, in particular, that the EC, while proposing key priorities, failed to provide factual and concrete data on how the EU budget can actually play a triggering, catalytic, synergetic and complementary role in relation to local, regional and national policies and investments launched to implement these priorities;

3. Recalls, in this connection, that one of the interparliamentary meetings to be organised in the context of the 'European Parliamentary Week on the European Semester for Economic Policy Coordination' will deal with 'The role of the EU budget in supporting Member States in the achievement of their economic objectives as agreed within the framework of the European Semester: the example of innovation, research and development'; asks the Commission to provide Members of the European Parliament and of the national parliaments with some concrete and factual evidence to inform this discussion;

4. Is convinced that funding at EU level can generate savings for all the Member States' budgets and that this should be emphasised; considers that the EU budget has a vital role to play in stimulating growth, boosting job creation and successfully reducing macroeconomic imbalances throughout the Union, and basically also in reaching the 'EU-2020 goals'; regrets once again that the Commission fails to address this issue in its Communication on the AGS;

5. Strongly condemns the position taken once again by the Council in the framework of the 2013 budget negotiations of reducing artificially the level of payment appropriations available in the EU budget; stresses that the position of the Budget Ministers diminishes the credibility of the European budget authorities by jeopardising the implementation of the Compact for Growth and Jobs adopted at the June 2012 European Council meeting; calls, once more, on the Council to agree with Parliament and the Commission on a common method to assess real payment needs in order to implement the Compact for Growth and Jobs; underlines the utmost urgency of the situation, especially in respect of programmes at the core of the Compact for Growth and Jobs and included in headings 1A and 1B (competitiveness for growth and employment / cohesion for growth and

4 employment), as well as rural development;

6. Requests the Commission to provide updated information on Member States' current efforts to reprogramme and accelerate the use of EU structural and cohesion funds in order to support growth and social cohesion, notably for SMEs, and to fight youth unemployment;

7. Calls on Member States to make full use of the additional financing opportunities provided for by the European Investment Bank and the new instrument of project bonds; requests the Commission to provide updated information on the progress achieved so far in this respect since the adoption of the Compact for Growth and Jobs;

8. Acknowledges the Commission's assessment that the levels of debt accumulated by public and private actors restrict the scope for new activities and investments in the Member States; calls, nevertheless, on the Member States neither to consider their national GNI contribution to the EU budget as an adjustment variable in their consolidation efforts, nor to seek to reduce artificially the volume of the EU budget's growth enhancing expenditure, contrary to the political commitments they have made at the highest level; is, however, fully aware of the economic tension between the need to consolidate public finances in the short run and any potential increase for some Member States in their GNI-based contribution brought about by an increase in the level of payments in the EU budget; restates, therefore, its strong calls for reform of the financing arrangements for the EU budget – to be agreed in the framework of the 2014-2020 MFF negotiations – by reducing the share of Member States' GNI-based contributions to the EU budget to 40 % by 2020, thereby contributing to their consolidation efforts[1];

9. Urges the European Council to agree on an ambitious multiannual financial framework 2014-2020 that will allow the EU to restore growth, jobs and competiveness across Europe and thus to achieve the Europe 2020 goals, as underlined in its resolution of 23 October 2012[2];

10. Recalls that the European budget is primarily an investment budget, with 94 % of its total being reinvested in the Member States;

11. Believes that imposing penalties additional to those currently discussed in the two-pack legislation by introducing 'macro-economic conditionality' in the use of EU structural, cohesion, rural development, fisheries and maritime funds can only exacerbate the problems of Member States already faced with macroeconomic difficulties; reiterates that macroeconomic conditionalities are not acceptable.

[1] Texts adopted, P7_TA(2012)0245.
[2] Texts adopted, P7_TA(2012)0360.

RESULT OF FINAL VOTE IN COMMITTEE

4

Date adopted	18.12.2012
Result of final vote	+: 27 –: 3 0: 1
Members present for the final vote	Marta Andreasen, Richard Ashworth, Zuzana Brzobohatá, Jean-Luc Dehaene, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Jens Geier, Ivars Godmanis, Ingeborg Gräßle, Lucas Hartong, Monika Hohlmeier, Anne E. Jensen, Ivailo Kalfin, Jan Kozłowski, Alain Lamassoure, Jan Mulder, Vojtěch Mynář, Juan Andrés Naranjo Escobar, Dominique Riquet, Alda Sousa, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	François Alfonsi, Maria Da Graça Carvalho, Gerben-Jan Gerbrandy, Jaroslav Paška, Paul Rübig, Peter Šťastný, Georgios Stavrakakis, Gianluca Susta

4

EUROPEAN PARLIAMENT 2009 - 2014

Committee on Budgets

2012/2150(INI)

19.9.2012

OPINION

of the Committee on Budgets

for the Committee on Economic and Monetary Affairs

on the European Semester for economic policy coordination: implementation of 2012 priorities
(2012/2150(INI))

Rapporteur: Catherine Trautmann

Associated committee – Rule 50 of the Rules of Procedure

4 PA_NonLeg

SHORT JUSTIFICATION

The European Semester is primarily a tool to coordinate the national budgets and reform programmes of Member States. Under current conditions, in which fiscal restraint has been imposed on all Member States in order to ensure that the six-pack legislation is enforced, the EU budget can and should play a countercyclical role. As laid down in the Treaties, the EU budget cannot run a deficit, and it is an investment budget that is useful to all 27 Member States (more than 85 % of its allocations go back to the Member States). Through its triggering and leverage effect, particularly in areas of inclusive and sustainable growth, such as cohesion and regional policies, it can help foster growth and increase competiveness and thus support Member States in achieving their economic objectives as agreed in their National Reform Programmes (Europe 2020 strategy), as well as the country-specific recommendations agreed within the framework of the European Semester.

Programme implementation of all policies agreed in the MFF 2007-13 is now well underway. For those of them which are still lagging behind, such as structural and cohesion funds (what for various reasons needs to be carefully addressed and assessed), the European Commission and the Council have agreed to unlock their full potential. Indeed, one of the pillars of the 'Compact for Growth and Jobs' endorsed by the June 2012 European Council is based on a re-targeting of structural and cohesion funds that are so far not fully committed (estimated at EUR 55 billion) towards support for SMEs, research and innovation, and youth employment.

This constitutes a further step in the right direction and a more than welcome shift in the focus of EU economic policy. It is very much complementary to the important steps endorsed by Council and Parliament in 2010-2011 to ease temporarily the co-financing rules for those Member States hardest hit by the current crisis. For Member States benefiting from financial assistance programmes, the co-financing rates have been temporarily increased in order to make sure that necessary investments take place now despite severely constrained national budgets.

However, in order to be successful, these measures need to be translated fully into the EU annual budget in a timely manner. During the negotiations on the 2011 and 2012 budgets, the Council imposed – very much against the will of the EP – a very low level of payment appropriations. By systematically refusing an adequate level of payments, based on real and tangible needs, the Council is putting economic recovery at risk, since beneficiaries in the Member States themselves, such as regional authorities, universities or SMEs, cannot be paid on time and are facing enormous cash-flow problems.

On the positive side, during this European Semester 2012, a very important agreement could be reached on a pilot phase (2012-2013) for project bonds to stimulate the financing of key infrastructure projects able to generate growth in Member States in the areas of transport, energy and ICT. The European Investment Bank will start implementing it from July 2012 onwards. Your rapporteur believes that this constitutes only a first step towards a much needed EU investment programme for the years to come.

4

SUGGESTIONS

The Committee on Budgets suggests to the Committee on Economic and Monetary Affairs, as the committee responsible, to take up the following considerations in its report:

1. Regrets the absence of a wide, credible and frank public debate on the European Semester process; believes that this absence is at odds with national practices, where economic policy orientations are openly and democratically debated; warns, in particular, against setting up the Annual Growth Survey as a bureaucratic measure which lacks the approval of the European Parliament, and underlines the need for a democratisation of the European Semester through stronger roles for both national parliaments and the European Parliament in all phases of the European Semester; recalls the EP's proposal that the EU institutions agree on an interinstitutional agreement; recalls that Article 13 of the Treaty on 'Stability, Coordination and Governance in the EMU' provides for the organisation of a parliamentary conference of the relevant committees of the EP and representatives of national parliaments; emphasises that the EP Budget Committee is one of the above-mentioned relevant EP committees;

2. Urges the Commission to prepare the next Annual Growth Survey 2013 on the basis of sound, ambitious and unbiased economic data which reflect the actual macroeconomic situation of Member States as well as the macroeconomic imbalances between them;

3. Calls on Member States, when national elections in the course of a European Semester change political majorities, to adapt their National Reform Programmes in a timely manner in order to underline the political nature of reforms and ensure the commitment of the new government;

4. Urges the Commission, in its next AGS, to fully address and underline the role of the EU budget in the European Semester process by providing factual and concrete data on its triggering, catalytic, synergetic and complementary effects on overall public expenditure at local, regional and national levels; believes, moreover, that funding at EU level can generate savings for the Member States' budgets and that this should be emphasised; considers that in terms of stimulating growth and boosting job creation, as well as successfully reducing macroeconomic imbalances throughout the Union, the EU budget has a vital role to play;

5. Urges the Council, during negotiations on the EU Budget 2013, to accept a political and public debate on the level of appropriations needed to implement the 'Compact for Growth and Jobs' adopted at the June 2012 European Council; expresses its strong concern at the position repeatedly taken by the Council to reduce artificially the level of payment appropriations available in the EU budget, which would jeopardise the EU's ability to meet its legal and political commitments; calls, once more, on the Council to agree with the EP and the Commission on a common method to assess real payment needs; underlines the urgency of the situation, especially in headings 1A and 1B (competitiveness for growth and employment / cohesion for growth and employment), as well as in rural development funds;

6. Calls on the Member States to fully seize the possibilities agreed in the 'Compact for Growth and Jobs' to consider reallocations within their national structural and cohesion fund envelopes (EUR 55 billion) in support of research and innovation, SMEs (including facilitating their access to EU funds) and youth employment; calls on the Commission to provide, in its AGS 2013 to be published in November 2012, a full and complete picture of what has been achieved in that respect;

7. Emphasises, moreover, that the 'Compact for Growth and Jobs' expressly invites Member States to use part of their structural fund allocation to work with the EIB on loan risk and loan guarantee facilities for knowledge and skills, resource efficiency, strategic infrastructure and access to finance for SMEs; is of the opinion that Member State authorities should seek to maximise the growth potential offered by other already agreed EU initiatives financed by the EU budget, such as the pilot phase for project bonds, the various existing EU innovative financial instruments in place since 2007 in the field of research innovation, support to SMEs or microcredit schemes; underlines, furthermore, the increased EIB lending capacity for the period 2012-2015; believes that, if properly combined and implemented, all these measures could form the foundations of an EU investment programme for the years to come with a dramatically positive effect on GDP and employment in the EU-27, with some academics estimating a GDP increase of 0.56 % and 1.2 million additional jobs;

8. Calls, therefore, on the Member States neither to consider their national GNI contribution to the EU budget as an adjustment variable in their consolidation efforts, nor to seek to reduce artificially the volume of the EU budget's growth-enhancing expenditure contrary to the political commitments they have made at the highest level; is, however, aware of the economic tension between the need to consolidate public finances in the short run, on the one hand, and any potential increase for some Member States in their GNI-based contribution brought about by an increase in the level of payments in the EU budget; restates, therefore, its strong calls for reform of the financing of the EU budget – to be agreed in the framework of the 2014-2020 MFF negotiations – by reducing the share of Member States' GNI-based contributions to the EU budget to 40 % by 2020, thereby contributing to their consolidation efforts[1];

9. Asks the Commission, moreover, to explore the possibility of excluding the GNI-based contribution to the EU budget from the calculation of the structural deficit as defined in the two-pack;

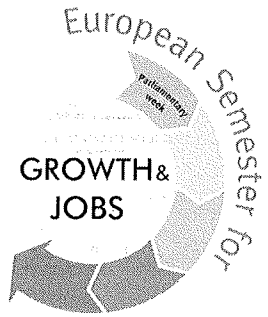
10. Warns that, in the context of the negotiations on the MFF 2014-20, lowering the level of the EU budget, given its role as a catalyst for investment, would have an adverse effect on the creation of growth and jobs in the Union.

[1] EP resolution P7- TA 2012/245, June 2012. Paragraph 3.

4

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	19.9.2012
Result of final vote	+: 27 –: 2 0: 3
Members present for the final vote	Marta Andreasen, Richard Ashworth, Francesca Balzani, Zuzana Brzobohatá, Andrea Cozzolino, James Elles, Göran Färm, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Ivars Godmanis, Lucas Hartong, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Ivailo Kalfin, Sergej Kozlík, Jan Kozłowski, Alain Lamassoure, Giovanni La Via, George Lyon, Barbara Matera, Claudio Morganti, Juan Andrés Naranjo Escobar, Dominique Riquet, Alda Sousa, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	François Alfonsi, Alexander Alvaro, Lidia Joanna Geringer de Oedenberg, Paul Rübig, Peter Šťastný



DIRECTORATE-GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D
BUDGETARY AFFAIRS

NOTE

for the

Interparliamentary Meeting of the Committee on Budgets

THE ROLE OF THE EU BUDGET TO SUPPORT MEMBER STATES IN ACHIEVING THEIR ECONOMIC OBJECTIVES AS AGREED WITHIN THE FRAMEWORK OF THE EUROPEAN SEMESTER:

THE EXAMPLE OF INNOVATION, RESEARCH AND DEVELOPMENT

Tuesday, 29 January, 2013, 11h00 - 13h00

The present note has been prepared as a background document of the meeting of the European Parliament's Committee on Budgets with the corresponding committees in the EU national parliaments, in the framework of the European Parliamentary Week. Its aim is to present the basic data on the financing of the research in the EU over the last decade, at the national (point 1 below) and EU level (point 2).

1. FINANCING OF RESEARCH AT THE NATIONAL LEVEL

Table 1 (p. 2) presents **the evolution of spending on R&D** in the EU and some reference countries between 2000 and 2010.

As these data demonstrate, the EU as a whole has not reached **the target of 3% of GDP** spent on R&D activities set in the Lisbon Strategy, and subsequently maintained in the Europe 2020 strategy under the 'Innovation Union' flagship. Nevertheless, according to the estimates of the Eurostat, the gross domestic expenditure on R&D has risen in this period by some 43,5% (2010 to 2000, current prices).[1] As Figure 1 (p. 3) illustrates, R&D spending expressed in terms of % of GDP has also risen in most of the EU countries, and in the EU as a whole.

[1] Source: Eurostat webpage: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/R_%26_D_expenditure, accessed on 09/01/2013.

5

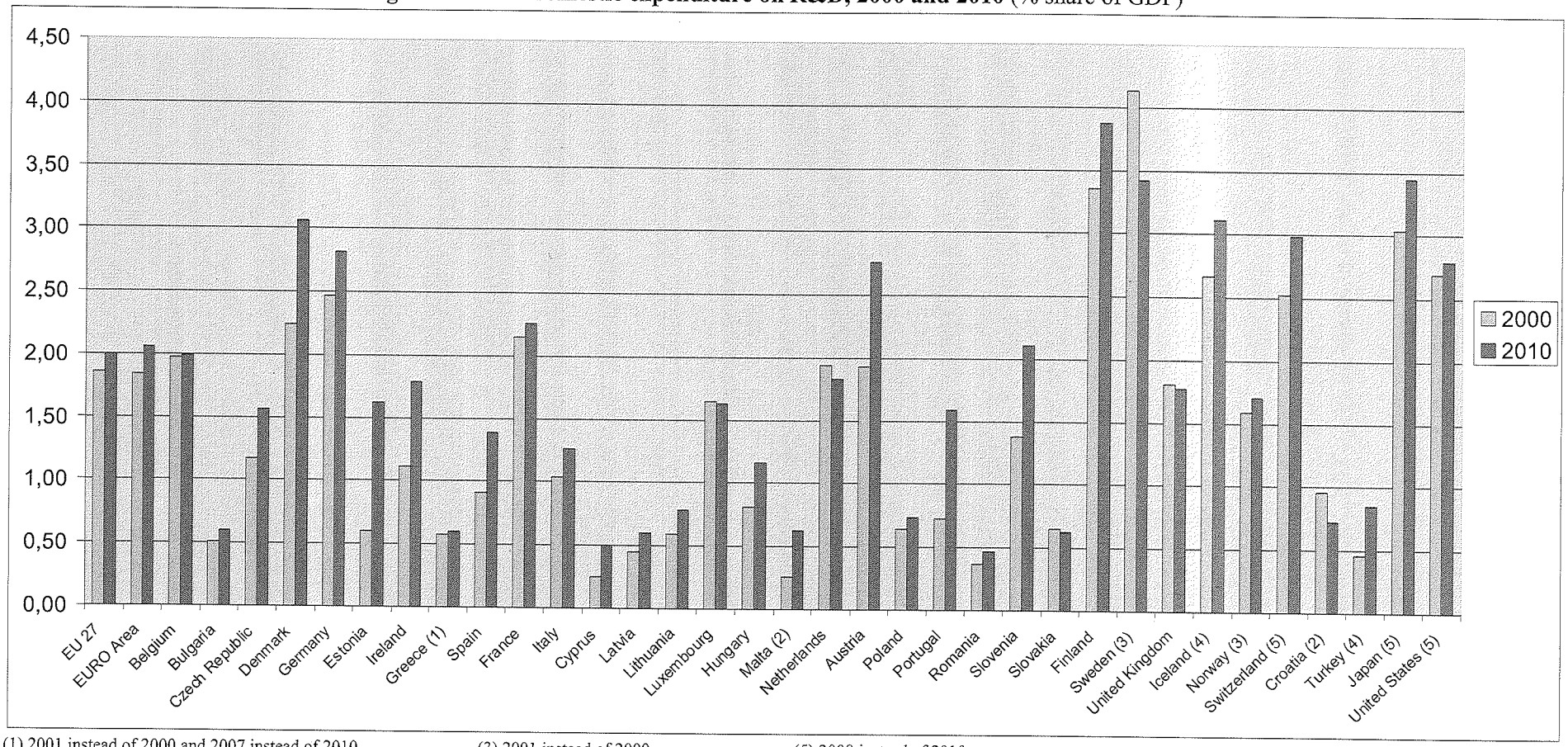
Table 1: Gross domestic expenditure on R&D, 2000-2010 (% share of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU 27	**1.86**	**1.87**	**1.88**	**1.87**	**1.83**	**1.83**	**1.85**	**1.85**	**1.92**	**2.01**	**2.00**
EURO Area	1.84	1.86	1.88	1.87	1.85	1.84	1.87	1.88	1.96	2.06	2.06
Belgium	1.97	2.07	1.94	1.87	1.86	1.83	1.86	1.89	1.97	2.03	1.99
Bulgaria	0.51	0.46	0.48	0.48	0.49	0.46	0.46	0.45	0.47	0.53	0.60
Czech Republic	1.17	1.16	1.15	1.20	1.20	1.35	1.49	1.48	1.41	1.48	1.56
Denmark (1)	2.24	2.39	2.51	2.58	2.48	2.46	2.48	2.58	2.85	3.06	3.06
Germany	2.47	2.47	2.50	2.54	2.50	2.51	2.54	2.53	2.69	2.82	2.82
Estonia	0.60	0.70	0.72	0.77	0.85	0.93	1.13	1.08	1.28	1.43	1.62
Ireland	1.11	1.09	1.09	1.16	1.22	1.24	1.24	1.28	1.45	1.74	1.79
Greece	:	0.58	:	0.57	0.55	0.60	0.59	0.60	:	:	:
Spain	0.91	0.92	0.99	1.05	1.06	1.12	1.20	1.27	1.35	1.39	1.39
France (2)	2.15	2.20	2.24	2.18	2.16	2.11	2.11	2.08	2.12	2.26	2.26
Italy	1.04	1.08	1.12	1.10	1.09	1.09	1.13	1.17	1.21	1.26	1.26
Cyprus	0.25	0.26	0.30	0.35	0.37	0.41	0.43	0.44	0.43	0.49	0.50
Latvia	0.45	0.41	0.42	0.38	0.42	0.56	0.70	0.60	0.62	0.46	0.60
Lithuania	0.59	0.67	0.66	0.67	0.75	0.75	0.79	0.81	0.79	0.83	0.79
Luxembourg	1.65	:	:	1.65	1.63	1.56	1.66	1.58	1.57	1.66	1.63
Hungary (3)	0.81	0.93	1.00	0.94	0.88	0.94	1.01	0.98	1.00	1.17	1.16
Malta (3)	:	:	0.26	0.25	0.53	0.57	0.62	0.58	0.56	0.54	0.63
Netherlands	1.94	1.93	1.88	1.92	1.93	1.90	1.88	1.81	1.77	1.82	1.83
Austria	1.93	2.05	2.12	2.24	2.24	2.46	2.44	2.51	2.67	2.72	2.76
Poland	0.64	0.62	0.56	0.54	0.56	0.57	0.56	0.57	0.60	0.68	0.74
Portugal	0.73	0.77	0.73	0.71	0.75	0.78	0.99	1.17	1.50	1.64	1.59
Romania	0.37	0.39	0.38	0.39	0.39	0.41	0.45	0.52	0.58	0.47	0.47
Slovenia (4)	1.38	1.49	1.47	1.27	1.39	1.44	1.56	1.45	1.65	1.86	2.11
Slovakia	0.65	0.63	0.57	0.57	0.51	0.51	0.49	0.46	0.47	0.48	0.63
Finland	3.35	3.32	3.36	3.44	3.45	3.48	3.48	3.47	3.70	3.92	3.87
Sweden (5)	:	4.13	:	3.80	3.58	3.56	3.68	3.40	3.70	3.61	3.42
United Kingdom	1.81	1.79	1.79	1.75	1.68	1.73	1.75	1.78	1.79	1.86	1.77
Iceland	2.67	2.95	2.95	2.82	:	2.77	2.99	2.68	2.64	3.11	:
Norway	:	1.59	1.66	1.71	1.58	1.52	1.49	1.62	1.61	1.80	1.71
Switzerland	2.53	:	:	:	2.90	:	:	:	2.99	:	:
Croatia	:	:	0.96	0.96	1.05	0.87	0.75	0.80	0.89	0.83	0.73
Turkey	0.46	0.51	0.51	0.47	0.51	0.58	0.57	0.71	0.73	0.85	:
Japan (4)	3.04	3.12	3.17	3.20	3.17	3.32	3.40	3.44	3.45	:	:
United States	2.69	2.71	2.60	2.60	2.53	2.56	2.60	2.66	2.79	:	:

(1) Break in series, 2007
(2) Break in series, 2000 and 2004
(3) Break in series, 2004
(4) Break in series, 2008
(5) Break in series, 2005

Source: Eurostat

Figure 1: Gross domestic expenditure on R&D, 2000 and 2010 (% share of GDP)



(1) 2001 instead of 2000 and 2007 instead of 2010
(2) 2002 instead of 2000
(3) 2001 instead of 2000
(4) 2009 instead of 2010
(5) 2008 instead of 2010

Source: based on Eurostat data

5

Despite the growing R&D expenditure in relative terms (expressed as % of GDP), its level in the EU (2% in 2010) remains well below these in the US (2,79% in 2008) and Japan (3,45% in 2008).

Table 2: Gross domestic expenditure on R%D by source of funds, 2010 (% total gross expenditure on R%D)

	Business enterprises	*Government*	*Abroad*
	2010	**2010**	**2010**
EU 27 (1)	**54.1**	**34.9**	**8.4**
EURO Area (1)	55.7	35.4	7.0
Belgium (1)	58.6	25.3	12.1
Bulgaria (1)	30.2	60.5	8.4
Czech Republic	48.9	39.9	10.4
Denmark (2)	60.3	27.7	8.8
Germany (1)	66.1	29.7	3.8
Estonia	43.4	44.3	11.5
Ireland (1)	51.2	31.3	15.6
Greece (3)	31.1	46.8	19.0
Spain (1)	43.4	47.1	:
France	51.0	39.7	7.3
Italy (1)	44.2	42.1	9.4
Cyprus (1)	15.7	69.0	12.1
Latvia	38.8	26.4	33.4
Lithuania	24.1	47.5	20.0
Luxembourg	65.9	29.7	4.3
Hungary	47.4	39.3	12.4
Malta	51.5	30.5	18.0
Netherlands (1)	45.1	40.9	10.8
Austria	44.3	38.9	16.4
Poland	24.4	60.9	11.8
Portugal (1)	44.0	45.3	4.1
Romania	32.3	54.4	11.1
Slovenia (4)	58.4	35.3	6.0
Slovakia	35.1	49.6	14.7
Finland (5)	66.1	25.7	6.9
Sweden (1) (6)	58.8	27.5	10.4
United Kingdom	45.1	32.1	16.4
Iceland (1)	48.5	41.4	9.9
Norway (1)	43.6	46.8	8.2
Switzerland (7)	68.2	22.8	6.0
Croatia	38.8	49.2	9.9
Turkey (1) (8)	41.0	34.0	1.1
Japan (4) (7)	78.2	15.6	0.4
United States (7)	67.3	27.1	:

(1) 2009 instead of 2010
(2) Break in series, 2007
(3) 2005 instead of 2010
(4) Break in series 2008
(5) Break in series, abroad, 2005
(6) Break in series, 2005
(7) 2008 instead of 2010
(8) Break in series, business enterprises and government, 2008

Source: based on Eurostat data

Participation of private businesses (Table 2 on p. 4) in the financing of R&D expenditure in the EU stood at some 54% of the overall spending in 2010. This figure hides, however, huge discrepancies between different EU countries; taken individually, the corresponding share varies country-by-country between less than 16% and over 66% (2010 data). Corresponding figures for the US and Japan were 67% and 78% respectively (2008 data).

Similarly, the EU countries have also noted different share of **foreign funding for R&D**, ranging from less than 4% up to 20% in their overall spending.

2. RESEARCH FUNDING FROM THE EU BUDGET

Under the current programming period, financing of research activities from the EU budget is channelled via three main instruments: the 7th Research Programme, with the separate envelope for the nuclear research, the Competitiveness and Innovation Programme, and the European Institute of Innovation and Technology. Table 3 below presents the financial programming for these headings under the current Multiannual Financial Framework.

Table 3: Expenditure on research from the EU budget by financial instrument, 2007-2013 (mln EUR)

Financial instrument	2007	2008	2009	2010	2011	2012	2013	Total amount
7th FP for research, technological development and demonstration activities	5 082,0	5 594,3	6 152,6	6 932,9	7 977,3	8 840,0	9 651,1	**50 230,2**
7th FP for nuclear research	404,2	496,0	599,3	609,5	631,4	1 372,0	1 186,0	**5 298,3**
Competitiveness and Innovation Programme (CIP)	387,7	412,4	509,3	525,7	583,9	614,4	659,1	**3 692,6**
European Institute of Innovation and Technology (EIIT)		2,9	5,8	30,2	62,8	79,3	123,1	**304,1**

Source: Statement of estimates of the European Commission for the financial year 2013, p 89-90.

It is proposed that under the next programming period as of 2014, funding of the research activities by the EU budget be covered by a new strategic programme, Horizon 2020 (see Annex 1 for an overview).

Impact of the R&D spending from the EU budget and its leverage effect are often difficult to quantify and express in numerical terms. The figure below presents the evolution of the concept of the European Added Value in the subsequent Framework Programmes for research activities.

5

Figure 2: The Evolving Character of 'European Added Value'

Dimensions of European Added Value	FP1	FP2	FP3	FP4	FP5	FP6	FP7
Scale too big for Member States (MS) to handle alone	X	X	X	X	X	X	X
Financial benefits: a joint approach would be advantageous	X	X	X	X	X	X	X
Combines complementary MS efforts to tackle European problems	X	X	X	X	X	X	X
Cohesion	X	X	X	X	X	X	X
Unification of European S&T across borders	X	X	X	X	X	X	X
Promotes uniform laws and standards	X	X	X	X	X	X	X
Mobilising EU potential at European and global level by coordinating national and EU programmes				X	X	X	X
Contributes to implementing EU policy					X	X	X
Contributes to societal objectives (later 'grand challenges')					X	X	X
Exploits opportunities for the development of European science, technology and industry					X	X	X
Structures the EU R&D community and 'fabric'						X	X
Improves quality through exposure to EU-wide competition							X

Source: European Policy Evaluation Consortium (EPEC), 'Understanding the Long Term Impact of the Framework Programme', *Dec 2011 (study executed for the European Commission, DG Research), p.12.*

Annex:

1. EP Library Briefing *'Horizon 2020: research and innovation for growth',* Nov 2012

Horizon 2020: research and innovation for growth

5

Horizon 2020 will be one of the main European Union instruments aimed at achieving an "Innovation Union", one of the Europe 2020 growth goals. It will focus on research outputs and innovation, with the goal of accelerating the commercialisation and diffusion of innovation.

Simplified framework

The Commission's Horizon 2020 package brings together in a single strategic programme the three main current initiatives and sources of funding for EU research and innovation: the Framework Programme for research (FP7), the innovation part of the Competitiveness and Innovation Framework Programme (CIP), and the European Institute for Innovation and Technology (EIT).

Putting these instruments in one common framework aims to improve efficiency, create synergies and simplify rules for participation. In particular, it aims to increase industry participation levels in EU R&D programmes which have fallen over the past 15 years, from 43% in FP4 to 37% in FP5, to 29% in FP6 and 31% so far in FP7. Some large firms have decided to stay out for strategic reasons, not wanting to share their knowledge. However, other reasons regularly mentioned relate to the increasing complexity of participation and use of funding.

To reverse this trend, among other things Horizon 2020 includes a dedicated SME instrument, equity and debt facilities, public-private partnerships (PPPs) and some changes to simplify funding rules. For instance, the Commission is proposing to replace FP7's many reimbursement rates with only two flat rates, one for research and one for innovation – close-to-market activities – regardless of the participant type. This has been contested by one of the EP's rapporteurs, who sees a danger of over-simplication, and wants greater differentiation based on participant type.

Improving R&D commercialisation

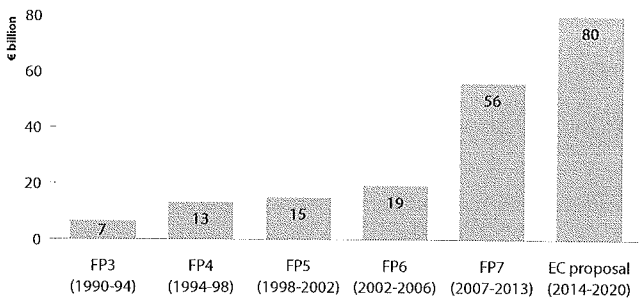
The Commission's impact assessment shows that Horizon 2020 would add an extra 0.53% to EU GDP by 2030, and it would increase employment by 0.21% also by 2030.

To achieve its goals, the programme is to address Europe's structural innovation gap. Directly commercialisable outputs have not been a core objective of the Framework Programmes in the past. Moreover, the latest data on patenting shows that Europe continues to lag behind its main global competitors. Not only has the EU developed fewer patents, but the economic revenue obtained from the total licensing of these patents is much lower than in the USA or Japan. Overall, the gap has widened considerably over the past decade, in particular with remarkable growth in R&D intensity in the major research-intensive countries of Asia.

Budget question

The Commission proposed a budget of €80 billion for 2014-2020. It is expected that the Council will push to reduce this, while the EP's rapporteur Teresa Riera Madurell supports an increase to €100 billion. She argues that Horizon 2020 represents only a modest increase (around 6% in real terms) compared to FP7 annual budget in 2013, as it merges three different EU programmes.

Figure 1: Evolution of global budgets of R&D programmes (€ billion/current prices)



Source: European Commission

Author: Mar Negreiro
Contact: mar.negreiro@ep.europa.eu

120405REV1

Disclaimer and Copyright: This briefing is a summary of published information and does not necessarily represent the views of the author or the European Parliament. The document is exclusively addressed to the Members and staff of the European Parliament for their parliamentary work. Links to information sources within this document may be inaccessible from locations outside the European Parliament network. © European Union, 2012. All rights reserved. http://www.library.ep.ec – http://libraryeuroparl.wordpress.com

5

EUROPEAN PARLIAMENT 2009 - 2014

Plenary sitting

A7-0313/2012

12.10.2012

INTERIM REPORT

in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Committee on Budgets

Co-rapporteurs: Reimer Böge, Ivailo Kalfin

CONTENTS

Page

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION 5

EXPLANATORY STATEMENT 20

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS 68

OPINION OF THE COMMITTEE ON DEVELOPMENT 72

OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE 76

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL 79

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS 83

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY 89

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY 96

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION 101

OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM 104

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT 109

OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT 113

OPINION OF THE COMMITTEE ON FISHERIES 119

OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION 125

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS 133

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS 136

OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS 140

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY 147

RESULT OF FINAL VOTE IN COMMITTEE 152

6

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

6

in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure

(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

The European Parliament,

– having regard to Articles 311 and 312 TFEU,

– having regard to the Commission proposal of 29 June 2011 and the amended Commission proposal of 6 July 2012 for a Council regulation laying down the multiannual financial framework for the years 2014-2020 (COM(2011)0398 and COM(2012)0388),

– having regard to the Commission's proposal of 29 June 2011 for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and sound financial management (COM(2011)0403),

– having regard to the communication from the Commission of 29 June 2011 on a Budget for Europe 2020 (COM(2011)0500),

– having regard to the Commission report of 27April 2010 to the European Parliament and the Council on the functioning of the Interinstitutional Agreement on budgetary discipline and sound financial management (COM(2010)0185),

– having regard to its resolution of 29 March 2007 on the future of the European Union's own resources[1],

– having regard to its resolution of 8 June 2011 entitled 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe'[2],

– having regard to its resolution of 13 June 2012 on the Multiannual Financial Framework and own resources[3],

– having regard to the joint statement on MFF-related issues annexed to the revised financial rules applicable to the general budget of the Union,

– having regard to Rule 81(3) of its Rules of Procedure,

– having regard to the interim report of the Committee on Budgets and the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on International Trade, the Committee on Budgetary Control, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety,

[1] OJ C 27 E, 31.1.2008, p. 214.
[2] Texts adopted, P7_TA(2011)0266.
[3] Texts adopted, P7_TA(2012)0245.

6 the Committee on Industry, Research and Energy, the Committee on Internal Market and Consumer Protection, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Fisheries, the Committee on Culture and Education, the Committee on Legal Affairs, the Committee on Civil Liberties, Justice and Home Affairs, the Committee on Constitutional Affairs and the Committee on Women's Rights and Gender Equality (A7-0313/2012),

A. whereas, pursuant to Article 312(2) of the Treaty on the Functioning of the European Union (TFEU), the Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the Multiannual Financial Framework (MFF), acting unanimously, after obtaining the consent of Parliament; whereas, pursuant to Article 312(2) TFEU, the European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the regulation laying down the MFF;

B. whereas, pursuant to Article 295 TFEU, the European Parliament, the Council and the Commission shall consult each other and by common agreement make arrangements for their cooperation, and, whereas to this end, an interinstitutional agreement should be adopted to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters;

C. whereas Article 312(5) TFEU calls on the European Parliament, the Council and the Commission to take any measure necessary to facilitate the adoption of the financial framework;

D. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies, and is to be financed wholly from own resources; whereas the Council is required to consult Parliament before it adopts a new decision on the reform of own resources and, furthermore, the Council must obtain the consent of Parliament before adopting a regulation on measures to implement the own-resources system;

E. whereas this will be the first time that an MFF regulation is adopted under the new provisions of the Treaty of Lisbon, entailing in consequence new cooperation arrangements between the institutions aimed at reconciling efficient decision-making with respect for Treaty prerogatives;

F. whereas the Treaty of Lisbon confers significant new prerogatives on the European Union in fields such as external action (Article 27(3) TEU), sport (Article 165 TFEU), space (Article 189 TFEU), climate change (Article 191 TFEU), energy (Article 194 TFEU), tourism (Article 195 TFEU) and civil protection (Article 196 TFEU);

G. whereas in its resolution of 8 June 2011, adopted by an overwhelming majority, Parliament established its general political priorities for the next MFF, in both legislative and budgetary terms;

H. whereas in its resolution of 13 June 2012, adopted by an overwhelming majority, Parliament expressed its general priorities for the next MFF in budgetary terms in both the expenditure and the revenue side;

I. whereas the relevant parliamentary committees have carried out a full in-depth analysis of needs in order to identify political priorities, as evidenced in their annexed opinions;

J. whereas the Cypriot Presidency-in-Office intends to submit a 'negotiating box', including ceiling figures (but also policy choices falling within the ordinary legislative procedure) to an Extraordinary European Council in November 2012;

K. whereas it is necessary for the EU to have both a budget and a budgetary procedure which fully reflect the transparent and democratic essence of the parliamentary decision-making and control process, on the basis of respect for the general principles of unity and universality, which require that all revenue and expenditure be entered in full with no adjustment against each other, and that there be a parliamentary debate and vote on both revenue and expenditure in line with Treaty competences;

The EU budget as a key tool to deliver smart, sustainable and inclusive growth for the entire EU

1. Is fully aware that the negotiations on the MFF 2014-2020 are taking place in a very difficult social, economic and financial context, in which Member States are engaging in considerable efforts to make fiscal adjustments to their national budgets, with a view to the sustainability of public finances and the stability of the banking sector and the single currency; insists that the Union cannot be seen as adding an extra fiscal burden on taxpayers; is, however, convinced that the EU budget is a part of the solution to enable Europe to emerge from the current crisis by promoting investments in growth and jobs and helping Member States tackle, collectively and in concerted fashion and on a sustainable basis, the present structural challenges, in particular loss of competitiveness, rising unemployment and poverty;

2. Considers, however, that balanced structural reforms at both national and EU level represent an essential precondition for the sound and efficient implementation of EU funding, while recalling the importance of sound public finances;

3. Recalls that the European Council has, on numerous occasions, insisted on the need for a strengthened European economic governance and has endorsed the objectives set out in the EU 2020 strategy for smart, sustainable and inclusive growth, namely promoting employment, improving the conditions for – and public spending on – innovation, research and development, meeting our climate change and energy objectives, improving education levels and promoting social inclusion, in particular through the reduction of poverty;

4. Recalls that the European Council itself adopted, in June 2012, a 'Growth and Jobs Compact', which acknowledges the leverage effect of the EU budget in terms of strengthening growth and employment and places major emphasis on its contribution to helping the entire Union overcome the current economic and financial crisis;

6

5. Considers that the Union has been particularly affected by the successive financial crises of the past four years partly because financial operators, international partners and public opinion have questioned the level of solidarity within the EU; believes that the EU budget should be at the heart of such solidarity; is convinced, therefore, that the decision on the next MFF will either have a significant positive impact on the efforts made by national governments to overcome the crisis or lead to a further recession in the EU;

6. Recalls that all the macroeconomic financial stabilisation measures taken since 2008 have not yet brought an end to the economic and financial crisis; believes, therefore, that in order to return to growth and generate employment in Europe, Member States should continue their efforts to unlock their potential for sustainable growth and that a well-targeted, robust and sufficient EU budget is needed to further help coordinate and enhance the national efforts;

7. Notes that the EU budget represents only some 2 % of total government expenditure in the Union, and is hence more than 45 times smaller than the sum of government expenditure in the Member States;

8. Recalls that, pursuant to Article 310 TFEU, the revenue and expenditure shown in the EU budget must be in balance and that, therefore, the budget cannot generate deficit and public debt;

9. Stresses that the EU budget is primarily an investment budget and that 94 % of its total returns are invested in the Member States themselves or for external priorities of the Union; emphasises that, for the regions and Member States, public investment would be minimised or impossible without the contribution of the EU budget; believes that any decrease of the EU budget would inevitably increase imbalances and hamper the growth and competitive strength of the entire Union economy, as well as its cohesiveness, and would undermine the principle of solidarity as a core EU value;

10. Underlines the fact that the Lisbon Strategy has failed to achieve its goals, owing inter alia to the insufficient coordination and commitments from all levels in both budgetary and legislative terms; strongly believes that, in order to be effective, the Europe 2020 strategy needs to be implemented now and not delayed any longer;

11. Recalls that delivering on the Europe 2020 strategy's seven flagship initiatives will require a substantial amount of future-oriented investment, estimated at no less than EUR 1 800 billion up to 2020[1]; stresses that one of the main objectives of the Europe 2020 strategy, namely, to promote growth and high-quality employment for all Europeans, will only be achieved if the necessary investment in education, in favour of a knowledge society, and in research and innovation, SMEs, and green and new technologies, while promoting social inclusion, is made now and not delayed any longer; favours combining a twin-track approach of growth-friendly fiscal consolidation measures in order to reduce deficits and public debt with the promotion of such investments;

12. Considers that the alarming situation young people face across the EU, including an unprecedentedly high unemployment rate, increasing poverty and educational challenges,

[1] (COM(2010)0700)

requires a particular effort, through mainstreaming measures, to keep the new generations committed to the EU values of peace, democracy and human rights, economic prosperity and social justice, and by providing adequate budgetary support programmes;

13. Stresses that a strong, diversified, competitive industrial base is key to achieving a smart, sustainable, inclusive European economy; underlines the importance of the industrial sector in supporting competitiveness and job creation in the EU and its resulting crucial contribution towards overcoming the economic crisis;

14. Strongly supports the Commission's proposal to mainstream measures to combat climate change with the aim of at least 20 % of expenditure being climate-related; considers it essential that the EU budget be able to mobilise investment for a sustainable and prosperous low-carbon economy, provide adequate support for achieving the EU 2020 targets for climate, energy, resource-efficiency and biodiversity, and benefit the EU's citizens by ensuring a more healthy environment;

15. Calls, therefore, on the Member States to consider synergies between the national consolidation effort and the added value of a well-prioritised EU budget, allowing the implementation of the political commitments already made at the highest level;

Level of expenditure

16. Stresses that since 1988 national budgets have grown on average more rapidly than the EU budget; notes that even since the start of the crisis in 2008 total government expenditure in the Member States has risen at an annual nominal rate of 2 %; draws the conclusion that this shrinkage of the EU budget with respect to the national budgets is in flagrant contradiction with the extension of competences and tasks conferred on the Union by the Treaty and with major political decisions taken by the European Council itself, notably the development of a strengthened European economic governance;

17. Emphasises that since 2000 the gap between the EU own resources ceiling (1.29 % of GNI in commitment and 1.23 % in payment appropriations) and the MFF ceilings has grown dramatically; furthermore notes that the MFF only sets maximum levels of expenditure, while the EU budget has always remained far below those levels;

18. Considers that the Commission proposal, which represents a freeze of the MFF 2014-2020 ceilings at the level of the 2013 ceilings, will not be sufficient to finance existing policy priorities linked to Europe's strategy for smart, sustainable and inclusive growth, the new tasks provided for by the Treaty of Lisbon, or unforeseen events, not to mention the political objectives and commitments set by the European Council itself;

19. Recalls its position, as stated on 8 June 2011, that without an adequate increase in the budget above the level of the 2013 ceilings, several EU priorities and policies will have to be revised downwards or even abandoned;

20. Warns the Council against any attempt to reduce further the level of EU expenditure as proposed by the Commission; firmly opposes any plea for linear, across-the-board cuts that would jeopardise the implementation and effectiveness of all EU policies, irrespective of their European added value, political weight or performance; instead, challenges the

6 Council, in case it proposes cuts, to clearly and publicly identify which of its political priorities or projects should be dropped altogether;

21. Stresses the key role that the EU budget must play in achieving the jointly agreed EU 2020 Strategy objectives; strongly believes that EU funding, if well devised, can actually trigger and catalyse actions having clear Union added value which Member States are unable to carry out on their own, as well as creating synergies and complementarities with Member States' activities by helping them focus on key future-oriented investment;

22. Reaffirms, in this context, its position in favour of a significant increase in the funding available for the Union programmes in the fields of competiveness, SMEs, entrepreneurship and sustainable infrastructures, which are at the heart of the Europe 2020 strategy; strongly believes that further cuts with respect to the Commission proposal will seriously jeopardise the EU's credibility and its political commitment in favour of growth and jobs;

23. Warmly welcomes the Commission's proposal on the Connecting Europe Facility (CEF) and its realistic financial allocation for the purpose of improving Europe's transport, energy and digital networks; urges, in this context, that the amount transferred from the Cohesion Fund to CEF should be spent – during the first years – in full accordance with the national allocations under this Fund;

24. Underlines the importance of research and innovation in accelerating the transition towards a sustainable, world-leading, knowledge-based economy which uses its natural resources efficiently and responsibly; calls on the EU institutions and the Member States to agree on a specific roadmap for achieving the 3 % GDP target of investment in research; points to the massive economic commitment that this target would entail, in terms of additional expenditure totalling EUR 130 billion, annually and funded from all sources; stresses, consequently, the need to enhance, stimulate and secure the financing of research and innovation in the Union via a significant increase in expenditure, and in EU research and innovation funding – notably through the Horizon 2020 programme;

25. Recalls that SMEs are key drivers of economic growth, competitiveness, innovation and employment, and recognises their important role in ensuring recovery and boosting a sustainable EU economy; welcomes, therefore, the emphasis put by the Europe 2020 strategy on innovation and industrial policy; strongly rejects any attempt to further decrease the allocation for programmes, such as COSME, that are at the heart of European competitiveness and employment;

26. Considers that EU cohesion policy (structural funds and cohesion fund), is a strategic tool for investment, sustainable growth and competitiveness, and a main pillar of European solidarity, with an undisputed EU added value; notes also the significant spill-over effects of cohesion funding for all EU Member States; insists that, in order to effectively reduce macroeconomic imbalances within the EU and contribute to economic, social and territorial cohesion, it should be able to rely on a stable, solid and sustainable financial framework; reaffirms its position that cohesion policy funding, given the pressing need to secure public investment in growth and jobs, should be maintained at least at the level of the 2007-2013 period and continue to cover all EU regions, with a focus on the less developed regions; endorses the Commission proposal to earmark 25 % of the total

cohesion policy allocation to the ESF;

6

27. Recalls its position that, given the wide array of tasks, challenges and objectives that the CAP is called on to respond to, the amounts allocated to the CAP in the budget year 2013 should be at least maintained during the next financial programming period; believes that the new CAP should aim at a more effective and efficient allocation of its budget, inter alia via a fair distribution of direct payments and rural development allocations between Member States, regions and farmers, in order to reduce the existing gap; stresses, in this context, the important role played by the second pillar of the CAP, which makes a significant contribution to investment and job creation in rural areas, to enhancing the effectiveness and competitiveness of the farming industry, particularly in the light of the new challenges referred to in the Europe 2020 strategy, as well as to managing environment and preserving biodiversity;

28. Emphasises that strengthening the well-targeted and effective Union programme for environment and climate is indispensable and that integrated spending on climate and environment should be actively supported within relevant Union funds;

29. Recognises the serious challenges that young people in the EU face with the economic crisis; considers that participation, employment, education, non-formal education, training, mobility and the social inclusion of young Europeans are issues of strategic importance for the development of the EU and European society; insists on mainstreaming and prioritising these issues in all relevant policies and programmes financed from the EU budget, alongside the necessary increase in the financing of the concrete youth-specific instruments proposed by the Commission, such as the introduction of a youth guarantee scheme to ensure that every young person in Europe not able to find a job is offered the possibility of further education and training;

30. Stresses the need to continue the programme for the most deprived persons; reminds the Commission of its commitment to submit, in good time, a legislative proposal in this regard in order to ensure continuity of the support for such a programme after 2013 on a new legal basis and with independent funding;

31. Takes the view that the overall amount dedicated by the Commission to the Area of Freedom, Security and Justice does not adequately reflect the strengthening of this area with the Treaty of Lisbon and its growing tasks and challenges; stresses that funded activities must have European added value and that a fair, balanced, transparent share of funding between the various objectives pursued by these programmes must be secured;

32. Recalls that the EU's education, youth, media and culture programmes are close to the citizens, enjoy extraordinarily high implementation rates, produce noticeable leverage and spillover effects including significant economic results, and generate clear and proven European added value by pooling resources, encouraging mobility and active citizenship, and enhancing cooperation among different sectors and stakeholders;

33. Reiterates its position that the new responsibilities conferred on the EU by the Treaties will require appropriate additional funding compared to MFF 2007-2013, so as to allow the Union to fulfil its role as a global actor whilst upholding the undertakings it has already given, notably the achievement of Member States' 0.7 % GNI spending targets for

6 Official Development Aid and the fulfilment of the Millennium Development Goals by 2015; highlights the Union's role in promoting democracy, peace, solidarity, stability and poverty reduction in neighbourhood and partner countries; underlines the complementarity between the EU assistance and that provided by the Member States, and its catalyst effect in terms of intervening in regions where bilateral assistance is not delivered; is particularly supportive of joint programming between Member States and EU actions; stresses, therefore, that the Commission's proposals for 'Global Europe' and the European Development Fund must be considered the bare minimum needed to achieve Europe's ambition in the world; notes, in particular, the need to match the responsibilities of EEAS with adequate budgetary resources;

Large-scale projects

34. Underlines the strategic importance of large-scale infrastructure projects such as ITER, Galileo, and GMES for the future of the EU's competitiveness; rejects, consequently, any attempt to transform GMES into an intergovernmental programme;

35. Is of the firm opinion that the financing of these large-scale projects should be secured in the EU budget but, at the same time, ring-fenced, so as to ensure that possible cost overruns do not threaten the funding and successful implementation of other Union policies;

36. Welcomes the Commission's proposal to fix a maximum amount for Galileo in the MFF regulation, thereby ring-fencing the budgetary allocation for this project; believes, likewise, that the maximum amounts for ITER and GMES should also be fixed in the regulation; considers that the financial envelopes for these three projects should be allocated over and above the MFF ceilings, so as to make the provision of additional funding by Member States easier, if needed;

Better spending

37. Reiterates that achieving European added value and ensuring sound financial management - efficiency, effectiveness, economy - should be, now even more than ever, guiding principles of the EU budget; welcomes, in this respect, the Commission's set of legislative proposals on the new generation of multiannual programmes to be adopted under the ordinary legislative procedure; insists that synergies among EU support programmes and national investments must be maximised;

38. Believes that in the present context of public budgetary constraints, the leverage of other sources of funding is absolutely necessary in order to realise the long-term investments that are needed to achieve the goals of the EU 2020 strategy; strongly believes that Union added value is to be found notably in long-term investments that are beyond the reach of individual Member States; highlights, in this respect, the conclusions and recommendations of its resolution on innovative financial instruments in the context of the next Multiannual Financial Framework[1];

39. Stresses the need to ensure coherence between sector-specific rules and the overall

[1] P7_TA-PROV(2012)XXXX

framework of the Financial Regulation and to strike a balance between simplification and sound financial management; takes note of the simplification scoreboard issued by the Commission, and confirms its determination to support the simplification agenda; is convinced of the need to further reduce the administrative burdens on beneficiaries, and calls for the implementation of thorough 'bureaucracy checks' on the new generation of multiannual programmes so as to prevent any additional administrative burden at EU and national level alike;

40. Believes that the effectiveness of EU expenditure depends on sound policy, regulatory and institutional frameworks at all levels; insists that, in accordance with Articles 310(5) and 317 TFEU, Member States must implement the budget in accordance with the principle of sound financial management; reminds Member States of their legal obligation to ensure that appropriations entered in the budget are used in accordance with this principle and that they must shoulder their share of responsibility in making EU funding more effective; recalls that 90 % of the errors detected by the European Court of Auditors have been in Member States, and that the majority of those errors could have been avoided; urges all Member States to issue national declarations of assurances signed at the appropriate political level;

41. Supports the introduction of ex ante conditionality provisions to ensure that EU funding, particularly in respect of the Cohesion Fund, the Structural Funds and the rural and fisheries funds, are better targeted to the achievement of the Europe 2020 objectives; believes that if their implementation is based, on the one hand, on a reinforced partnership principle through the stronger involvement of local and regional authorities and, on the other hand, on conditions which are relevant to the objectives of the different funds, these conditionality provisions could improve the legitimacy and effectiveness of EU support;

42. Calls for funding under the partnership agreements to be made subject to certain specific commitments predetermined in a dialogue between the Commission and the Member States; considers it fair for such conditions to include, in particular, full implementation of existing EU legislation (e.g. on price regulation, tendering procedures, transport, the environment and health) in order to prevent irregularities and ensure effectiveness; rejects, however, the imposition of conditions requiring Member States to undertake fundamental social and economic reform; all conditions should fully respect the principles of subsidiarity and partnership;

43. Stresses, however, that there is no direct relation between the regional policy performance and the macroeconomic performance of a Member State, and that the regions should not be punished for the failure of the national level to comply with procedures related to economic governance; believes that imposing additional penalties could thus exacerbate the problems of Member States already facing macroeconomic difficulties, and, therefore, that macroeconomic conditionalities are not acceptable;

44. Underlines the crucial work of the decentralised EU agencies in supporting the Union's objectives and the need to match their responsibilities with adequate budgetary resources;

45. Believes, at the same time, that the work of the decentralised EU agencies should result in significantly higher savings at national level; urges the Member States to assess the efficiency gains generated by these agencies at national level and to make full use of

them, thus rationalising their national expenditure; calls, also, on the Member States to identify possible areas of duplication of work or reduced added value in relation to the agencies, with a view to streamlining their functioning;

46. Is convinced that the establishment of the European External Action Service (EEAS) should result in economies of scale at EU level and significant savings at national level, especially in the national diplomatic services in third countries;

47. Suggests that an independent assessment be conducted on the effectiveness of public spending at three levels – national, regional and European – in order to examine in depth added value and possibilities for pooling resources and for cost savings in areas such as defence, development policy, decentralised agencies, the European External Action Service, and scientific research by means not only of encouraging economies of scale at EU level, but also of respecting the subsidiarity principle; believes that this assessment should lead to cost savings; recalls that the assessment regarding decentralised agencies should take into account the relevant provisions of the Common Approach annexed to the Joint Statement of the European Parliament, the Council of the EU and the European Commission on decentralised agencies signed on 19 July 2012;

48. Agrees with the Commission's view on the need to rationalise administrative expenditure; stresses, however, that it is vital to strike a balance between making further savings and ensuring that the institutions can perform their tasks and duties in accordance with their obligations and powers under the Treaties, taking account of the difficult challenges posed by the current economic crisis;

49. Profoundly disagrees with the application of a linear staff reduction to all institutions, bodies and agencies, as their roles and responsibilities under the Treaties differ widely; stresses that, in order to treat the institutions individually, it should be left to each of them to decide where cuts can be introduced, and which cuts, so as to not hamper their proper functioning;

50. Points to the significant savings that could be made if the European Parliament were to have a single seat; urges the budgetary authority to raise this issue in the negotiations on the next MFF 2014-2020;

Duration

51. Takes the view that for the next MFF, a 7-year period set until 2020 should be considered as a transitional solution, given that it makes a clear link with the Europe 2020 strategy; believes, however, that a 5- or a 5+5-year period would better align the MFF's duration with that of the institutions' terms of office, thereby enhancing democratic accountability and responsibility; recalls that, in order to have a viable and effective MFF, a 7-year period requires a maximum level of flexibility;

Mid-term revision

52. Stresses the need for a mid-term revision to be enshrined in the MFF regulation, with a specific procedure including a binding calendar ensuring the full involvement of the next Parliament; considers that the Commission should table a legislative proposal enabling the

revised MFF to be adopted in time for the 2018 budgetary procedure; stresses that the mid-term revision should not hamper the stability of investment prospects and should protect the beneficiaries and the stability of long-term programming and investments;

The need for a more flexible MFF

53. Is convinced as a matter of principle that changing political and economic circumstances, as well as unforeseen events, will require adjustments of the MFF over the 7-year period; insists that the next MFF must provide enhanced budgetary flexibility both within and across headings, as well as between financial years within the MFF, in order to ensure that the available budgetary resources can be used to the full;

54. Believes that 5 % flexibility is indispensable as regards the ceilings for the (sub)headings, to make it possible to adapt to new circumstances without increasing the overall amount and without requiring revision of the MFF;

55. Welcomes the Commission's proposal to increase the level of legislative flexibility (possibility of departing from a given amount for the entire duration of the programme concerned) from 5 % to 10 %;

56. Emphasises the need to make the best use of the ceilings set by the MFF; proposes to this end that the margins left under the commitment appropriations ceilings in one year's budget should be carried over to the next year and seen as constituting a global MFF margin, to be attributed in future years to the different headings in line with their estimated needs and mobilised in the framework of the annual budgetary procedure;

57. Stresses, equally, the need to introduce a global MFF margin for payment appropriations, enabling the carry-over of margins left under the payment appropriations ceiling to following years and mobilised in the framework of the annual budgetary procedure;

58. Is particularly concerned about the current ever-growing level of outstanding commitments (RALs); calls for a joint interinstitutional strategy for keeping the level of RALs under control in the MFF 2014-2020 and for appropriate measures to be taken to that effect; encourages in this regard a discussion on how to make the level of payment appropriations more equally distributed over the MFF period to avoid, to the extent possible, the risk of hampering the implementation of EU programmes because of a lack of payment appropriations at the end of the financial framework;

59. Notes that each year the EU budget shows a surplus and that the Member States' contributions to the EU budget are lowered by this amount; at the same time deplores the Council's regular linear cuts to the Commission's estimations for payment appropriations, as entered in the draft budget, as well as the Council's repeated objection, over the last years, to providing the EU budget with the level of additional payments needed by the Commission, at the end of the budgetary year, to enable the EU to meet its financial commitments; is of the opinion that such an approach is not good budgeting, and that, while the returned surplus has no impact on the overall deficit level of Member States, this amount could make a clear difference to the EU's annual budget; recalls the commitment made by the institutions to revise the Financial Regulation in order to allow the carry-over of unused appropriations and of the budgetary balance;

6

60. Supports firmly the contingency margin, but emphasises that in order to be effective its mobilisation should not entail compulsory offsetting of ceilings, and should be adopted by qualified majority voting in Council;

61. Welcomes the Commission's proposal to increase the envelope of the Flexibility instrument and the utilisation of the annual amounts up to year n+3;

62. Underlines its strong support for the Commission proposal that the Emergency Aid Reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the reserve for crises in the agriculture sector, given their non-programmable nature, should be entered in the budget over and above the ceilings for the relevant headings;

63. Points to the added value of the European Globalisation Adjustment Fund (EGF) as a crisis intervention instrument to help workers who have lost their jobs to re-enter the labour market; stresses that the EGF must be continued and upgraded after 2013 as an instrument available, on equal terms, to all categories of workers; stresses as well the need for a simplified and accelerated procedure for the payment of grants in order to improve its efficiency;

Unity of the budget

64. Recalls that the EU budget covers all revenue and expenditure resulting from decisions taken by the EU institutions within the framework of their competences, and that it takes into account separately the Union's financial operations in the form of lending, borrowing and guarantees;

65. Urges the Commission and Council to list in a separate annex the budgetary or financial commitments and guarantees undertaken by the Union or by some of Member States in the framework of the European stabilisation mechanisms (EFSM, EFSF, ESM) in accordance with the provisions of Articles 122(2), 136(3) and 143 TFEU, as well as direct bilateral financial aid to other Member States or other projects related to the 'banking union';

66. Stresses that all decisions related to the strengthening of the economic and monetary union should be taken on the basis of the Treaties and involve the relevant institutions; emphasises that any departure from the community method and increased use of intergovernmental agreements will only divide and weaken the European Union, including the euro area;

67. Strongly requests the Member States to make a firm commitment to the incorporation of the European Development Fund into the EU budget as of 2021; notes that such a reform should require the MFF ceilings to be increased accordingly;

68. Confirms its intention in the future to organise a specific public debate and hold a vote on the revenue side of the budget, as part of its examination of the annual draft budget; strongly believes that in this way a permanent debate on the financing system of the Union will be maintained, while fully acknowledging that the budgetary authority does not at present have any competence to propose changes to this part of the budget;

Own resources

6

69. Believes that the negotiations on the next MFF, which started more than a year ago, clearly demonstrate the stalemate created by the lack of a genuine own resources system: these negotiations are organised in Council around two opposing camps, led by the net contributor countries to the EU budget, on the one hand, and by the net beneficiary countries of the EU budget, on the other, in a system which creates a purely accounting-based vision of 'fair return' which, in the end, makes any agreement on the MFF conditional on an agreement on a long list of exceptions and compensations, negotiated behind closed doors and incomprehensible to the European citizen;

70. Firmly believes that the financing of the Union budget should return to a genuine system of own resources, as provided for in the Treaty of Rome and all successive EU treaties; deeply regrets the fact that the current system, whereby the vast majority of the financing comes from national contributions, is non-transparent and unfair and is not subject to parliamentary control at either European or national level; stresses that such a system violates, in essence, the letter and spirit of the Treaty;

71. Points out that the restructuring of the system of own resources as such does not concern the size of the EU budget, but is aimed at finding a more effective mix of resources to fund agreed EU policies and objectives; stresses that the introduction of a new system would not increase the overall tax burden for citizens, but would, instead, reduce the burden on national treasuries;

72. Reaffirms its basic position, as stated in its resolution of 13 June 2012, that it is not prepared to give its consent to the next MFF regulation without political agreement on reform of the own resources system, in line with the Commission's proposals of 29 June 2011, including its legislative proposals for genuine new own resources; believes that such a reform should aim at reducing the share of Member States' GNI-based contributions to the EU budget to a maximum of 40 % by 2020, thereby contributing to the consolidation efforts of Member States;

73. Strongly believes that the necessary political agreement should comprise the following elements:

    1) there must be an in-depth reform of the financing of the EU budget, to return to a system of genuine, clear, simple and fair own resources, offering the guarantees over decision making and democratic control inherent in all public budgets;

    2) this reform must enter into effect during the 2014-2020 MFF, as proposed by the Commission;

    3) those Member States willing to introduce a financial transaction tax must now proceed with a formal request to the Commission for a proposal on enhanced cooperation in this field; the Commission will then have to react immediately with the publication of such a proposal together with a set of revised proposals on the own resources package, in order to ensure that revenues from this tax are wholly or partly allocated to the EU budget as a genuine own resource, thus reducing the national contributions of those Member States introducing this tax;

4) an agreement on the reform of VAT as own resource, as well as its implementing modalities, must be concluded together with the agreement on the MFF;

5) the new system must put an end to the existing rebates and other correction mechanisms; any eventual compensation can only be accepted on the basis of the Commission proposal, as temporary by nature and justified by indisputable and objective economic criteria;

6) in the event that implementation of the new own resources does not result in a significant decrease in Member States' GNI-based contributions to the EU budget, the Commission will come forward with additional proposals on the introduction of new genuine own resources.

Interinstitutional negotiations

74. Stresses that a stringent majority is required in both Parliament and Council to adopt the MFF, and points to the importance of exploiting to the full the provisions of Article 312(5), which imposes on the institutions the duty to carry out negotiations in order to reach agreement on a text to which Parliament can give its consent;

75. Emphasises that this will be the first time an MFF regulation is adopted under the new provisions of the Treaty of Lisbon, which entail new cooperation arrangements among the institutions combining efficient decision-making and respect for the respective prerogatives; welcomes, in this respect, the steps taken by the Hungarian, Polish, Danish and Cypriot Council Presidencies-in-office to establish a structured dialogue and regular information exchange with Parliament;

76. Expresses its readiness to enter into substantial discussions with the Council on both the MFF regulation and the IIA, and asks the Council to intensify contacts at all levels with a view to the 22-23 November European Council; stresses the need to reach the final agreement on the MFF as soon as possible;

77. Notes that any political agreement reached at European Council level constitutes no more than a negotiating mandate for the Council; insists that after the European Council has reached a political agreement, fully-fledged negotiations between Parliament and the Council need to take place before the Council formally submits for Parliament's consent its proposals on the MFF regulation;

78. Reiterates that, according to the TFEU, Parliament and the Council are the legislative bodies and the European Council does not have the role of legislator; stresses that the negotiations on the legislative proposals relating to the multiannual programmes will be pursued under the ordinary legislative procedure;

79. Insists on a qualitative approach to the MFF Regulation and related multiannual programmes negotiations; stresses that they are to be considered as a package, and reaffirms the principle that 'nothing is agreed until everything is agreed';

80. Highlights the importance of the opinions of the EP committees annexed to the interim report, as they complement, and provide valuable guidance and further details on, the

MFF/IIA negotiation guidelines laid down in this resolution; insists that the policy-specific recommendations contained in these opinions should feed the negotiations of the relevant multiannual programmes; reiterates, in this regard, its firm position that the MFF special legislative procedure should not address issues that are subject to ordinary legislative procedures;

81. Draws Council's attention to the annexed Working Document highlighting modifications to the proposal for a Council Regulation laying down the MFF for the years 2014-2020 and to the proposal for an Interinstitutional Agreement on cooperation in budgetary matters and sound financial management; advises that further modifications may become necessary depending on how negotiations on the MFF progress; points out that the Interinstitutional Agreement can be finalised only after the MFF procedure has been completed;

82. Points out, finally, that if no MFF has been adopted by the end of 2013, the ceilings and other provisions corresponding to 2013 will be extended until such time as a new MFF is adopted; signals that, in this eventuality, Parliament would be ready to reach a swift agreement with the Council and Commission to adapt the internal structure of the MFF to reflect the new political priorities;

83. Instructs its President to forward this resolution to the European Council, the Council, the Commission, the Governments and Parliaments of the Member States, and the other institutions and bodies concerned.

6

EXPLANATORY STATEMENT

WORKING DOCUMENT

The following tables indicate possible modifications to the proposal for a Council Regulation laying down the MFF for the years 2014-2020 and to the proposal for an Interinstitutional Agreement on cooperation in budgetary matters and sound financial management. These possible modifications aim to bring the proposals into line with the draft interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure. They are neither definitive nor exhaustive: further modifications may become necessary depending on how negotiations on the MFF procedure; and it should not be concluded that no comment means agreement with the Commission proposal. It should be noted that the Interinstitutional Agreement can be finalised only after the MFF procedure has been completed.

This working document should thus be considered as a work in progress subject to change, based solely on developments to date.

Commission proposal on the MFF	possible EP modifications
Amended proposal for a **COUNCIL REGULATION** **laying down the multiannual financial framework for the years 2014-2020**	
THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the functioning of the European Union, and in particular Article 312 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof, Having regard to the proposal from the European Commission , Having regard to the consent of the European Parliament , After transmission of the draft legislative act to national Parliaments, Acting in accordance with a special legislative procedure,	
Whereas: (1) The annual ceilings on commitments appropriations by category of expenditure and the annual ceilings on payment appropriations established by this Regulation must respect the ceilings set for commitments and own resources in [Council Decision XXXX/XX/EU, Euratom].	
(2) ***Taking into account the need for an adequate level of predictability for preparing and implementing medium-term investments,*** the duration of ***the*** financial framework should be set at seven years starting 1 January 2014, with an assessment of the implementation of the financial framework at mid-term. The results of this assessment should be taken into account during the last three years of the duration of the financial framework.	(2) ***The choice of the duration of the next MFF should strike the right balance between stability for programming cycles and implementation of individual policies, and the duration of the institutions' political cycles –in particular those in the European Commission and the European Parliament. A longer period requires greater flexibility. As a transitional solution*** the duration of ***this*** financial framework should be set at seven years starting 1 January 2014, with an assessment of the implementation of the financial framework at mid-term ***accompanied by proposals for revision according to a binding calendar***. The results of this assessment should be taken into

Commission proposal on the MFF	possible EP modifications
	account during the last three years of the duration of ***this*** financial framework.
(3) Special instruments, the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Reserve for crises in the agriculture sector and the Contingency Margin, are necessary to allow the Union to react to specified unforeseen circumstances, or to allow the financing of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more headings as laid down in the financial framework. Specific provisions are therefore necessary to provide for a possibility to enter in the budget commitment appropriations over and above the ceilings set out in financial framework where it is necessary to use special instruments.	
(4) If it is necessary to mobilise the Union's budget guarantees for the loans provided under the Balance of Payment Facility and the European Financial Stabilisation Mechanism set out in Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments[6] and in Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism[7], the necessary amount should be mobilised over and above the ceilings of the commitments and payments appropriations of the financial framework while	

[6] OJ L 53, 23.2.2002, p. 1
[7] OJ L 118, 12.5.2010, p. 1.

Commission proposal on the MFF		possible EP modifications
	respecting the own resources ceiling.	
(5)	The financial framework should be laid down in 2011 prices. The rules for technical adjustments of the financial framework to recalculate the ceilings and margins available should also be laid down.	
(6)	The financial framework should not take account of budget items financed by assigned revenue within the meaning of Regulation (EU) No [xxx/201x] of the European Parliament and of the Council of [...] on the financial rules applicable to the annual budget of the Union[8].	
(7)	Rules should be laid down for other situations that may require the financial framework to be adjusted. Those adjustments may be related to the implementation of the budget, ***macroeconomic conditionalities linked to the coordination of Member States' economic policies***, revision of the Treaties, enlargements**, the reunification of Cyprus,** or delayed adoption of new rules governing certain policy areas.	(7) Rules should be laid down for other situations that may require the financial framework to be adjusted. Those adjustments may be related to the implementation of the budget, ***excessive government deficit***, revision of the Treaties, enlargements**, the reunification of Cyprus,** or delayed adoption of new rules governing certain policy areas.
(8)	The national envelopes for **c**ohesion **policy**are established on the basis of forecast for Gross Domestic Product (hereinafter "GDP") of spring 201**2**. Given the forecasting uncertainties and the impact for the capped Member States an assessment should be made in mid-term to compare the forecasted and actual GDP and its impact for the envelopes. In case the GDP for 2014-2016 differs more	

[8] OJ L .

Commission proposal on the MFF	possible EP modifications
than +/- 5% from the forecast used in 201**2** the envelopes for 2018-2020 for the Member States concerned need to be adjusted. The rules for this adjustment need to be provided for.	
(9) The financial framework may need to be revised in case of unforeseen circumstances that cannot be dealt with within the established ceilings of the financial framework. It is therefore necessary to provide for revision of the financial framework in such cases.	
(10) It is necessary to provide for general rules on interinstitutional cooperation in the budgetary procedure.	
(11) In order to help the budgetary procedure to run smoothly, it is necessary to provide for the basic rules for the budgeting of the expenditure for the Common Foreign and Security policy and overall amount for the period covered by the financial framework.	
(12) Detailed arrangements on interinstitutional cooperation in the budgetary procedure and on the budgeting of the expenditure for the Common Foreign and Security policy are laid down in the Interinstitutional Agreement of [...] 201x between the European Parliament, the Council and the Commission on cooperation in budgetary matters and sound financial management[9].	
(13) Specific rules are also necessary for dealing with large-scale infrastructure projects whose lifetime extends well beyond the	(13) Specific rules are also necessary for dealing with ***the*** large-scale infrastructure projects ***Galileo, GMES and ITER*** whose lifetime extends well beyond the period set for the financial framework. It

[9] OJ C ...

Commission proposal on the MFF	possible EP modifications
period set for the financial framework. It is necessary to establish maximum amounts for the contributions from the Union's budget to those projects. Those requests should not have any impact on other projects financed from the Union's budget.	is necessary to establish maximum amounts for the contributions from the Union's budget to those projects. Those requests should not have any impact on other projects financed from the Union's budget.
(14) The Commission should present a proposal for a new multiannual financial framework before 1 January 2018 to enable the institutions to adopt it sufficiently in advance before the start of the following financial framework. The financial framework laid down in this Regulation should continue to apply if the new financial framework regulation is not adopted before the end of the term of the financial framework laid down in this Regulation,	
HAS ADOPTED THIS REGULATION	
Article 1 *Multiannual Financial Framework* The multiannual financial framework for the period 2014 to 2020 (hereinafter the financial framework) is set out in the Annex.	
Article 2 *Compliance with the ceilings of the financial framework* 1. The European Parliament, the Council and the Commission shall comply with the annual expenditure ceilings, set out in the financial framework, during each budgetary procedure and when implementing the budget for the year concerned. 2. The commitment appropriations may be entered in the budget over	

Commission proposal on the MFF	possible EP modifications
and above the ceilings of the relevant headings laid down in the financial framework where it is necessary to use the resources from the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Reserve for crises in the agriculture sector ***and*** the Contingency Margin in accordance with Council Regulation (EC) No 2012/2002 , Regulation (EC) No 1927/2006 of the European Parliament and of the Council , Regulation No xxxx/201x of the European Parliament and the Council and the Interinstitutional Agreement of [...] 201x on cooperation in budgetary matters and sound financial management (hereinafter the Interinstitutional Agreement).	2. The commitment appropriations may be entered in the budget over and above the ceilings of the relevant headings laid down in the financial framework where it is necessary to use the resources from the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Reserve for crises in the agriculture sector, the Contingency Margin ***and the Global Margin*** in accordance with Council Regulation (EC) No 2012/2002 , Regulation (EC) No 1927/2006 of the European Parliament and of the Council , Regulation No xxxx/201x of the European Parliament and the Council and the Interinstitutional Agreement of [...] 201x on cooperation in budgetary matters and sound financial management (hereinafter the Interinstitutional Agreement).
	2a. Commitment appropriations for Galileo, ITER and GMES shall also be entered in the budget over and above the ceilings of the relevant headings laid down in the financial framework.
3. Where a guarantee for a loan covered by the Union's budget according to Regulation (EC) No 332/2002 or Regulation (EU) No 407/2010 needs to be mobilised, it shall be over and above the ceilings laid down in the financial framework	
Article 3 *Respect of own resources ceiling* 1. For each of the years covered by the financial framework, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and revisions as well as the application of paragraphs 2 and 3 of Article 2, may not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set in accordance with [Decision XXXX/XX/EU,	

Commission proposal on the MFF	possible EP modifications
Euratom]. 2. Where necessary, the ceilings set in the financial framework shall be lowered in order to ensure compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].	
Article 4 *Technical adjustments* 1. Each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make the following technical adjustments to the financial framework: (a) revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments; (b) calculation of the margin available under the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom]; (c) calculation of the absolute amount of the Contingency Margin provided for in Point 15 of the Interinstitutional Agreement. 2. The Commission shall make the technical adjustments referred to in paragraph 1 on the basis of a fixed deflator of 2% a year. 3. The Commission shall communicate the results of the technical adjustments referred to in paragraph 1 and the underlying economic forecasts to the European Parliament and the Council.	***1. (d) calculation of the Global MFF Margins provided for in Points 8a and 8b of the Interinstitutional Agreement.***

Commission proposal on the MFF	possible EP modifications
4. No further technical adjustments may be made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years.	
Article 5 *Adjustment of cohesion policy envelopes* 1. In its technical adjustment for the year 2018, if it is established that cumulated Gross Domestic Product ("GDP") of any **capped** Member State for the years 2014-2016 has diverged by more than +/- 5 % from the cumulated GDP estimated in 201**2** for the establishment of cohesion policy envelopes for Member States for the period 2014-2020, the Commission shall adjust the amounts allocated from funds supporting cohesion to the Member State concerned for that period.. 2. The total net effect, whether positive or negative, of the adjustments referred to in paragraph 1 may not exceed EUR 3 billion. 3. The required adjustments shall be spread in equal proportions over the years 2018-2020 and the corresponding ceilings of the financial framework shall be modified accordingly.	
Article 6 *Adjustments related to implementation* When notifying the European Parliament and the Council of the results of the technical adjustments to the financial framework, the Commission shall present any proposals for adjustments to the total appropriations for	

Commission proposal on the MFF	possible EP modifications
payments which it considers necessary, in the light of implementation, to ensure an orderly progression in relation to the appropriations for commitments. The decisions on those proposals shall be taken before 1 May of year n.	
Article 7 *Adjustment of Structural Funds, Cohesion Fund, **the European Agricultural Fund for** Rural Development, the European **Maritime and** Fisheries **Fund, the Asylum and Migration Fund and the Internal Security Fund*** 1. In the case of adoption after 1 January 2014 of new rules or programmes **under shared management for** the Structural Funds, the Cohesion Fund, the **European Agricultural Fund for** Rural Development, the European Maritime and Fisheries **Fund, the Asylum and Migration Fund and the Internal Security Fund**, the financial framework shall be adjusted in order to transfer to subsequent years, in excess of the corresponding expenditure ceilings, allocations not used in 2014 2. The adjustment concerning the transfer of unused allocation for the year 2014 shall be adopted before 1 May 2015.	
Article 8 *Adjustments related to **macroeconomic conditionalities linked to the coordination of Member States' economic policies*** In the case of the lifting of a suspension of budgetary commitments concerning ***the European Regional Development Fund, the European Social Fund,*** the Cohesion Fund, ***the European Agricultural Fund for***	*Article 8* *Adjustments related to **excessive government deficit*** In the case of the lifting of a suspension of budgetary commitments

Commission proposal on the MFF	possible EP modifications
Rural Development and the European Maritime and Fisheries Fund in the context of ***macroeconomic conditionalities linked to the coordination of Member States' economic policies***, the Council, in accordance with the Treaty and in compliance with the relevant basic act, shall decide on a transfer of suspended commitments to the following years. Suspended commitments of year n may not be re-budgeted beyond year n+2.	concerning the Cohesion Fund in the context of ***an excessive deficit procedure***, the Council, in accordance with the Treaty and in compliance with the relevant basic act, shall decide on a transfer of suspended commitments to the following years. Suspended commitments of year n may not be re-budgeted beyond year n+2.
Article 9 *Revision of the financial framework* 1. In case of unforeseen circumstances the financial framework may be revised in compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom]. 2. Any revision of the financial framework in accordance with paragraph 1 shall take into account the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations. Where feasible, a significant amount, in absolute terms and as a percentage of the new expenditure planned, shall be within the existing ceiling for the heading. 3. Any revision of the financial framework in accordance with paragraph 1 shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another. 4. Any revision of the financial framework in accordance with	***3a. Provided that the overall amount of the MFF remains unchanged, adjustment of the ceilings of the headings and/or subheadings of up to 5% may be agreed without requiring a revision of the MFF regulation,***

Commission proposal on the MFF	possible EP modifications
paragraph 1 shall maintain an appropriate relationship between commitments and payments. 5. Adjustments referred to in Article 3(2), 6, 7, 8, 10, 11, **11a** and 16 also constitute a revision of the financial framework.	***in accordance with the Interinstitutional Agreement.***
Article 10 *Adjustment of the financial framework in case of a revision of the Treaties* Should a revision of the Treaties with budgetary implications occur during the financial framework, the necessary adjustments to the financial framework shall be made accordingly.	
Article 11 *Adjustment of the financial framework in case of enlargement* If new Member States accede to the Union during the period covered by the financial framework, the financial framework shall be adjusted to take account of the expenditure requirements resulting from the outcome of the accession negotiations	
Article 11a ***Adjustment of the financial framework in case of reunification of Cyprus*** In case of **re**unification of Cyprus during the period covered by the financial framework, the latter shall be adjusted to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from **re**unification	

Commission proposal on the MFF	possible EP modifications
Article 12 *Interinstitutional cooperation in the budgetary procedure* The European Parliament, the Council and the Commission (hereinafter the institutions) shall take any measures to facilitate the annual budgetary procedure. The institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. The institutions shall cooperate through appropriate interinstitutional contacts to monitor the progress of the work and analyse the degree of convergence at all stages of the procedure. The institutions shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent fashion, leading to the final adoption of the budget. Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussion. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting, define its mandate for the negotiations and inform the other institutions of arrangements for the meetings in good time.	
Article 13 *Financing of the Common foreign and security policy* The total amount of operating Common foreign and security policy	

Commission proposal on the MFF	possible EP modifications
(hereinafter "CFSP") expenditure shall be entered entirely in one budget chapter, entitled CFSP. That amount shall cover the real predictable needs, assessed in the framework of the establishment of the draft budget, on the basis of forecasts drawn up annually by the High Representative of the Union for Foreign Affairs and Security Policy, and a reasonable margin for unforeseen actions. No funds may be entered in a reserve.	
Article 14 *Contribution to the financing of large scale projects* *A* maximum ***amount of EUR 7 000 million*** in 2011 prices shall be available for the ***European satellite navigation programmes (EGNOS and Galileo)*** from the EU budget for the period 2014-2020	*Article 14* *Contribution to the financing of large scale projects* ***The following*** maximum ***amounts*** in 2011 prices shall be available for the ***financing of large scale projects*** from the EU budget for the period 2014-2020: ***EUR xx million for Galileo*** ***EUR xx million for GMES*** ***EUR xx million for ITER***
Article 15 *Mid-term **assessment of implementation** of the financial framework* ***In*** 2016, the Commission shall present an assessment of the implementation of the financial framework accompanied***, where necessary,*** by ***relevant*** proposals	*Article 15* *Mid-term **revision** of the financial framework* ***Not later than 1 January*** 2016, the Commission shall present an assessment of the implementation of the financial framework accompanied by proposals ***for a compulsory revision.***
Article 16 *Transition towards the next financial framework* Before 1 January 2018, the Commission shall present a proposal for a new	

Commission proposal on the MFF	possible EP modifications
multiannual financial framework. If no Council regulation determining a new multiannual financial framework has been adopted before 31 December 2020, the ceilings and other provisions corresponding to the last year of the financial framework shall be extended until a regulation determining a new financial framework is adopted. If new Member States accede to the Union after 2020, the extended financial framework shall, if necessary, be adjusted in order to take into account the results of accession negotiations	
Article 17 *Entry into force* This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union.* This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at …, *For the Council* *The President*	
	Joint Declaration ***The European Parliament, the Council and the Commission agree that***

Commission proposal on the MFF	possible EP modifications
	the length of the current multiannual financial framework does not pre-empt future decisions on the length of the multiannual financial framework as of 2021.

Commission proposal on the IIA	Possible EP modifications
Draft **Interinstitutional Agreement** **between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management**	
THE EUROPEAN PARLIAMENT, THE COUNCIL OF THE EUROPEAN UNION AND THE EUROPEAN COMMISSION, hereinafter referred to as the institutions, HAVE AGREED AS FOLLOWS	
1. The purpose of this Agreement adopted in accordance with Article 295 of the Treaty on the functioning of the European Union (hereinafter "TFEU") is to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters.	
2. The Agreement is binding on all the institutions for as long as it is in force.	
3. This Agreement does not alter the respective budgetary powers of the institutions as laid down in the Treaties, in Council Regulation (EU) No …/201x laying down the Multiannual Financial Framework for the years 2014-20xx[10] (hereinafter referred to as the MFF Regulation) and in the Regulation (EU) No /201x of the European Parliament and of the Council on the	

[10] OJ L , p. .

Commission proposal on the IIA	Possible EP modifications
financial rules applicable to the annual budget of the Union (hereinafter referred to as the Financial Regulation)[11].	
4. Any amendment of this Agreement requires the consent of all the institutions.	
5. This Agreement is in three parts: – Part I contains complementary provisions related to the multiannual financial framework and provision on special instruments not included in the financial framework. – Part II relates to the interinstitutional collaboration during the budgetary procedure. – Part III contains provisions related to sound financial management of EU funds.	
6. This Agreement enters into force on the same day as the MFF Regulation and replaces the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management[12].	
PART I – FINANCIAL FRAMEWORK and SPECIAL INSTRUMENTS	
A. PROVISIONS RELATED TO THE FINANCIAL FRAMEWORK	

[11] OJ L, p. .
[12] OJ C 139, 14.6.2006, p. 1.

Commission proposal on the IIA	Possible EP modifications
7. Information relating to operations ***not included in the general budget of the European Union*** and the foreseeable development of the various categories of Union's own resources is set out***, by way of indication,*** in separate tables. This information shall be updated annually together with the documents accompanying the draft budget.	7. Information relating to ***financial*** operations ***in the form of lending, borrowing and guarantees*** and the foreseeable development of the various categories of Union's own resources is set out in separate tables. ***The budgetary and financial commitments made by Member States in the framework of reinforced cooperation or of a specific Treaty shall be listed in a separate annex.*** This information shall be updated annually together with the documents accompanying the draft budget.
8. Except in sub-ceiling Economic, social and territorial cohesion of the financial framework, for the purposes of sound financial management, the institutions shall ensure as far as possible during the budgetary procedure and at the time of the budget's adoption that sufficient margins are left available beneath the ceilings for the various headings.	
	8a. Margins left below the MFF ceilings for commitment appropriations in one year's budget will be carried over to the next year and constitute a Global MFF Margin for commitments to be attributed to the different headings according to their estimated needs and mobilised in the framework of the annual budgetary procedures. ***8b. The margin left below the MFF ceiling for payment appropriations in any budget year will be carried over to the next year and constitute a Global MFF Margin for payments to be mobilised in the framework of the annual budgetary procedures.*** ***8c. In order to adapt to unforeseen circumstances an adjustment of up to 5% of the ceilings of the headings and/or subheadings may be agreed without requiring a revision of the MFF regulation, provided***

Commission proposal on the IIA	Possible EP modifications
	that the overall amount of the MFF remains unchanged. ***The decision to adjust the ceilings of the headings and/or subheadings shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.***
Updating of forecasts for payment appropriations after 2020 9. In 2017, the Commission shall update the forecasts for payment appropriations after 2020. That update shall take into account the real implementation of budget appropriations for commitments and budget appropriations for payments, as well as the implementation forecasts. It shall also consider the rules defined to ensure that payment appropriations develop in an orderly manner compared to commitment appropriations and the growth forecasts of the European Union Gross National Income.	
B. PROVISIONS RELATED TO THE SPECIAL INSTRUMENTS NOT INCLUDED IN THE FINANCIAL FRAMEWORK	
B.1. Emergency Aid Reserve 10. The Emergency Aid Reserve is intended to allow for a rapid response to specific aid requirements of third countries following events which could not be foreseen when the budget was established, first and foremost for humanitarian operations, but also for civil crisis management and protection, and situations of particular pressure resulting from migratory flows at the Union's external borders where circumstances so require. The annual amount of the Reserve is fixed at EUR 350 million	

Commission proposal on the IIA	Possible EP modifications
(2011 prices) ***and can be used up to year n+1 in accordance with the Financial Regulation***. The Reserve is entered in the general budget of the European Union as a provision. The portion of the annual amount stemming from previous years shall be drawn on first, in order of age. ***The portion of the annual amount from year n which is not used in year n+1 shall lapse.***	The annual amount of the Reserve is fixed at EUR 350 million (2011 prices). ***The portion of the annual amount from year n which is not used may be used throughout the entire duration of the Multiannual Financial Framework***. The Reserve is entered in the general budget of the European Union as a provision. The portion of the annual amount stemming from previous years shall be drawn on first, in order of age.
When the Commission considers that the Reserve needs to be called on, it shall present to the two arms of the budgetary authority a proposal for a transfer from the Reserve to the corresponding budgetary lines.	When the Commission considers that the Reserve needs to be called on, it shall present to the two arms of the budgetary authority a proposal for a transfer from the Reserve to the corresponding budgetary lines***, in accordance with the Financial Regulation***.
Any Commission proposal for a transfer to draw on the Reserve, however, must be preceded by an examination of the scope for reallocating appropriations.	***deleted***
In the case of disagreement a trilogue procedure shall be initiated.	
The transfers shall be made in accordance with the Financial Regulation	***deleted***
B.2. European Union Solidarity Fund	
11. The European Union Solidarity Fund is intended to allow financial assistance in the event of major disasters occurring on the territory of a Member State or of a candidate country, as	

Commission proposal on the IIA	Possible EP modifications
defined in the relevant basic act. There shall be a ceiling on the annual amount available for the Fund of EUR 1 billion (2011 prices). On 1 October each year, at least one quarter of the annual amount shall remain available in order to cover needs arising until the end of the year. The portion of the annual amount not entered in the budget may not be rolled over in the following years. In exceptional cases and if the remaining financial resources available in the Fund in the year of occurrence of the disaster, as defined in the relevant basic act, are not sufficient to cover the amount of assistance considered necessary by the budgetary authority, the Commission may propose that the difference be financed through the annual amounts available for the following year. The annual amount of the Fund to be budgeted in each year may not, under any circumstances, exceed EUR 1 billion. When the conditions for mobilising the Fund as set out in the relevant basic act are met, the Commission shall make a proposal to deploy it. Where there is scope for reallocating appropriations under the heading requiring additional expenditure, the Commission shall take this into account when making the necessary proposal, in accordance with the Financial Regulation, by means of the appropriate budgetary instrument. The decision to deploy the Fund shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast. In the case of disagreement a trilogue procedure shall be	

Commission proposal on the IIA	Possible EP modifications
initiated.	
B.3. Flexibility Instrument	
12. The Flexibility Instrument with an annual ceiling of EUR 500 million (2011 prices) is intended to allow the financing, for a given financial year and up to the amount indicated, of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings.	
The annual amount of the Flexibility Instrument may be used ***up to year n+3. The portion of the annual amount stemming from previous years shall be used first, in order of age. The portion of the annual amount from year n which is not used in year n+3 shall lapse***.	The ***portion of the*** annual amount of the Flexibility Instrument ***from year n which is not used*** may be used ***throughout the entire period of the Multiannual Financial Framework***.
The Commission shall make a proposal for the Flexibility Instrument to be used after it has examined all possibilities for re-allocating appropriations under the heading requiring additional expenditure.	
The proposal shall identify the needs to be covered and the amount. It may be presented, for any given financial year, during the budgetary procedure.	
The decision to deploy the Flexibility Instrument shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.	
Agreement shall be reached in the framework of the annual	

Commission proposal on the IIA	Possible EP modifications
budgetary procedure.	
B.4. European Globalisation Adjustment Fund	
13. The European Globalisation Adjustment Fund is intended to provide additional support for workers who suffer from the consequences of major structural changes in world trade patterns, to assist them with their reintegration into the labour market, and also to farmers suffering from effects of globalisation. The Fund may not exceed a maximum annual amount of EUR 429 million (2011 prices). The appropriations shall be entered in the general budget of the European Union as a provision. When the conditions for mobilising the Fund, as set out in the relevant basic act, are met, the Commission shall make a proposal to deploy it. The decision to deploy the Fund shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast. At the same time as it presents its proposal for a decision to deploy the Fund, the Commission shall present to the two arms of the budgetary authority a proposal for a transfer to the relevant budgetary lines. In the case of disagreement a trilogue procedure shall be initiated. Transfers related to the Fund shall be made in accordance with	

Commission proposal on the IIA	Possible EP modifications
the Financial Regulation.	
B.5. Reserve for crises in the agriculture sector	
14. The Reserve for crises in the agricultural sector is intended to provide additional support for the sector in case of major crises effecting the agricultural production or distribution in case it cannot be financed within the limits of the ceiling available for Heading 2. The Reserve may not exceed a maximum annual amount of EUR 500 million (2011 prices). The appropriations shall be entered in the general budget of the European Union as a provision. When the Commission considers that the Reserve needs to be called on, in accordance with the relevant basic act, it shall present to the two arms of the budgetary authority a proposal for a transfer from the Reserve to the corresponding budgetary lines. Any Commission proposal for a transfer to draw on the Reserve, however, must be preceded by an examination of the scope for reallocating appropriations. In the case of disagreement a trilogue procedure shall be initiated. Transfers related to the Reserve shall be made in accordance with the Financial Regulation.	
B.6. Contingency Margin	
15. A contingency margin of up to 0.03% of the Gross National Income of the Union shall be constituted outside the ceilings of	

Commission proposal on the IIA	Possible EP modifications
the financial framework as a last resort instrument to react to unforeseen circumstances. Recourse to the Contingency Margin shall not exceed, at any given year, the maximum amount foreseen in paragraph (1)(c) of Article 4 of the MFF Regulation and shall be consistent with the own resources ceiling. The mobilisation of the contingency margin, or part thereof, shall be proposed by the Commission after a thorough analysis of all other financial possibilities. The Commission shall accompany the proposal for the mobilisation of the Contingency Margin by a proposal for reallocation, ***by a significant amount*** as far as supported by the analysis, within the existing budget. The decision to mobilise the Contingency Margin shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.	The mobilisation of the contingency margin, or part thereof, shall be proposed by the Commission after a thorough analysis of all other financial possibilities. The Commission shall accompany the proposal for the mobilisation of the Contingency Margin by a proposal for reallocation, ***if possible,*** as far as supported by the analysis, within the existing budget.
PART II – IMPROVEMENT OF INTERINSTITUTIONAL COLLABORATION IN BUDGETARY MATTERS	
A. THE INTERINSTITUTIONAL COLLABORATION PROCEDURE	
16. The details of interinstitutional collaboration during the budgetary procedure are set out in the Annex.	
B. INCORPORATION OF FINANCIAL PROVISIONS IN	

Commission proposal on the IIA	Possible EP modifications
LEGISLATIVE ACTS	
17. Each legislative act concerning a multiannual programme adopted under the ordinary legislative procedure shall contain a provision in which the legislative authority lays down the financial envelope for the programme. That amount shall constitute the prime reference for the budgetary authority during the annual budgetary procedure. The budgetary authority and the Commission, when it draws up the draft budget, undertake not to depart by more than 10 % from that amount for the entire duration of the programme concerned, unless new, objective, long-term circumstances arise for which explicit and precise reasons are given, with account being taken of the results obtained from implementing the programme, in particular on the basis of assessments. Any increase resulting from such variation must remain within the existing ceiling for the heading concerned, without prejudice to the use of instruments mentioned in the MFF regulation and in this Agreement. This Point does not apply to appropriations for cohesion adopted under the ordinary legislative procedure and pre-allocated by Member States which contain a financial envelope for the entire duration of the programme and to the large scale projects referred to in Article 14 of the MFF Regulation.	
18. Legislative acts concerning multiannual programmes not subject to the ordinary legislative procedure shall not contain an	

Commission proposal on the IIA	Possible EP modifications
'amount deemed necessary'. Should the Council wish to include a financial reference, this shall be taken as illustrating the will of the legislative authority and shall not affect the powers of the budgetary authority as defined by the TFEU. This provision shall be mentioned in all legislative acts which include such a financial reference. If the amount concerned has been the subject of an agreement pursuant to the conciliation procedure provided for in the Joint Declaration of the European Parliament, the Council and the Commission of 4 March 1975[13], it shall be considered a reference amount within the meaning of Point 17 of this Agreement.	
C. EXPENDITURE RELATING TO FISHERIES AGREEMENTS	
19. The expenditure on fisheries agreements shall be subject to the following specific rules: The Commission undertakes to keep the European Parliament regularly informed about the preparation and conduct of the negotiations, including the budgetary implications. In the course of the legislative process relating to fisheries agreements, the institutions undertake to make every effort to ensure that all procedures are carried out as quickly as possible. Amounts foreseen in the budget for new agreements or renewal of agreements which come into force after January 1 of the	

[13] OJ C 89, 22.4.1975, p. 1.

Commission proposal on the IIA	Possible EP modifications
related budget year shall be put in reserve. If appropriations relating to fisheries agreements (including the reserve) prove insufficient, the Commission shall provide the budgetary authority with the necessary information for an exchange of views in the form of a trilogue, possibly simplified, on the causes of the situation, and on the measures which might be adopted under established procedures. Where necessary, the Commission shall propose appropriate measures. Each quarter, the Commission shall present to the budgetary authority detailed information about implementation of agreements in force and a financial forecast for the remainder of the year.	
D. FINANCING OF THE COMMON FOREIGN AND SECURITY POLICY (CFSP)	
20. As regards CFSP expenditure which is charged to the general budget of the European Union in accordance with Article 41 of the Treaty on European Union, the institutions shall endeavour, in the conciliation committee, and on the basis of the draft budget established by the Commission, to secure agreement each year on the amount of the operating expenditure to be charged to the budget of the European Union and on the distribution of this amount between the articles of the CFSP budget chapter suggested in the fourth paragraph of this Point. In the absence of agreement, it is understood that the European Parliament and the Council shall enter in the budget the amount contained in the previous budget or the amount proposed in the	

Commission proposal on the IIA	Possible EP modifications
draft budget, whichever is the lower. The total amount of operating CFSP expenditure shall be distributed between the articles of the CFSP budget chapter as suggested in the fourth paragraph of this Point. Each article shall cover instruments already adopted, instruments which are foreseen but not yet adopted and all future - that is unforeseen - instruments to be adopted by the Council during the financial year concerned. Since, under the Financial Regulation, the Commission has the authority to transfer appropriations autonomously between articles within the CFSP budget chapter, the flexibility deemed necessary for speedy implementation of CFSP actions shall accordingly be assured. In the event of the amount of the CFSP budget chapter during the financial year being insufficient to cover the necessary expenses, the European Parliament and the Council shall seek a solution as a matter of urgency, on a proposal from the Commission, taking into account Article 2 of the MFF regulation and Point 10 of this Agreement. Within the CFSP budget chapter, the articles into which the CFSP actions are to be entered could read along the following lines: – crisis management operations, conflict prevention, resolution and stabilisation, monitoring and implementation of peace and security processes, – non-proliferation and disarmament, – emergency measures,	

Commission proposal on the IIA	Possible EP modifications
– preparatory and follow-up measures, – European Union Special Representatives. The amount for measures entered under the article mentioned in the third indent may not exceed 20 % of the overall amount of the CFSP budget chapter.	
21. Each year, the High Representative of the Union for Foreign Affairs and Security Policy (hereinafter "the High Representative") shall consult the European Parliament on a forward-looking document, which shall be transmitted by June 15 for the year in question, setting out the main aspects and basic choices of the CFSP, including the financial implications for the general budget of the European Union and an evaluation of the measures launched in the year n-1. Furthermore, the High Representative shall keep the European Parliament informed by holding joint consultation meetings at least five times a year, in the framework of the regular political dialogue on the CFSP, to be agreed at the latest in the Conciliation committee. Participation in these meetings shall be as follows: – for the European Parliament, the bureaux of the two Committees concerned, – for the Council, the Chairman of the Political and Security Committee. The Commission shall be invited to participate at these meetings. Whenever the Council adopts a decision in the field of the	

Commission proposal on the IIA	Possible EP modifications
CFSP entailing expenditure, the High Representative shall immediately, and in any event no later than five working days following the final decision, send the European Parliament an estimate of the costs envisaged ('financial statement'), in particular those regarding time-frame, staff employed, use of premises and other infrastructure, transport facilities, training requirements and security arrangements. Once a quarter, the Commission shall inform the budgetary authority about the implementation of CFSP actions and the financial forecasts for the remaining period of the year.	
E. INVOLVEMENT OF THE INSTITUTIONS AS REGARDS THE DEVELOPMENT POLICY ISSUES AND THE EUROPEAN DEVELOPMENT FUND	
22. The Commission will establish a common dialogue with the European Parliament on development policy issues regardless of their source of financing. The scrutiny of the European Parliament on the European Development Fund will be aligned on a voluntary basis to the scrutiny rights that exist under the EU general budget, specifically the Development Cooperation Instrument, pursuant to modalities to be fixed in the informal dialogue.	
	22. a. The European Parliament, the Council and the Commission commit themselves to incorporating the European Development Fund (EDF) into the EU general budget as of the next Multiannual Financial Framework, and to adjusting the ceilings accordingly to provide the necessary resources.

Commission proposal on the IIA	Possible EP modifications
F. COOPERATION OF THE INSTITUTIONS IN THE BUDGETARY PROCEDURE ON ADMINISTRATIVE EXPENDITURE	
23. The European Parliament, the Council and the Commission shall seek an agreement on the sharing of the Administrative expenditure every year at an early stage of the annual budgetary procedure. Estimates of expenditure of each institution will contain estimates of the possible budgetary impact from changes to provisions in the staff regulations. The European Parliament and the Council agree to ensure that this impact will be reflected in the level of authorised appropriation for all institutions. ***The European Parliament, the Council and the Commission agree to a progressive reduction of staff by 5% between 2013 and 2018. This reduction should apply to all institutions, bodies and agencies.***	***Deleted***
Fa. OWN RESOURCES	
	23.a. The European Parliament, the Council and the Commission agree that the own resources system needs to be reformed in order to return to a system of genuine, clear, simple and fair own resources, and that this reform must enter into effect before the end of the 2014-2020 MFF period.
PART III – SOUND FINANCIAL MANAGEMENT OF EU FUNDS	
A. FINANCIAL PROGRAMMING	
24. The Commission shall submit twice a year, the first time in	

Commission proposal on the IIA	Possible EP modifications
April/May (together with the documents accompanying the draft budget) and the second time in December/January (after the adoption of the budget), a complete financial programming for headings 1 (except subceiling for Economic, social and territorial cohesion), 2 (for environment and fisheries), 3 and 4 of the financial framework. This document, structured by heading, policy area and budget line, should identify: (a) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions: – for multiannual programmes the Commission should indicate the procedure under which they were adopted (ordinary and special legislative procedure), their duration, the total financial envelope and the share allocated to administrative expenditure; – for annual actions (pilot projects, preparatory actions, Agencies) and actions financed under the prerogatives of the Commission, the Commission should provide multiannual estimates and the margins left under the authorised ceilings fixed in [the delegated Regulation on the execution modalities of the Financial Regulation]; (b) pending legislative proposals: ongoing Commission proposals, with the latest update. The Commission should consider ways of cross-referencing the financial programming with its legislative programming to provide more precise and reliable forecasts. For each legislative	

Commission proposal on the IIA	Possible EP modifications
proposal, the Commission should indicate whether or not it is included in the April-December programme. The budgetary authority should in particular be informed of: (a) all new legislative acts adopted and all pending proposals presented but not included in the April-December document (with the corresponding amounts); (b) legislation foreseen in the Commission's annual legislative work programme with an indication of actions likely to have a financial impact (yes/no). Whenever necessary, the Commission should indicate the reprogramming entailed by new legislative proposals.	
B. AGENCIES AND EUROPEAN SCHOOLS	
25. Before presenting its proposal for the creation of a new agency, the Commission should produce a sound, complete and objective impact assessment, taking inter-alia into account the critical mass of staff and competencies, cost-benefits aspects, impact on national and EU activities and the budgetary implications for the expenditure heading concerned. On the basis of that information and without prejudice to the legislative procedures governing the setting up of the agency, the two arms of the budgetary authority commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the financing of the agency. The following procedural steps shall be applied: – Firstly, the Commission shall systematically present any proposal for setting up a new agency to the first trilogue	

Commission proposal on the IIA	Possible EP modifications
following the adoption of its proposal, and shall present the financial statement accompanying the legal act proposing the creation of the agency and illustrate its consequences for the remaining period of the financial programming; – Secondly, taking into consideration the progress made in the legislative process, and provided that each arm of the budgetary authority is in a position to take a stance on the financial consequences of the proposal in advance of the adoption of the legal act, the creation of the new agency shall be placed on the agenda of a subsequent trilogue (in urgent cases, in simplified form), in view of reaching an agreement on the financing; – Thirdly, the agreement reached during a trilogue shall be confirmed in a joint declaration, subject to the approval by each arm of the budgetary authority in accordance with its own rules of procedure. The same procedure would be applied to any modification of the legal act setting up an agency which impacts on the resources of the agency in question. Should the tasks of an agency be modified substantially without a modification of the legal act setting up the agency in question, the Commission shall inform the budgetary authority by means of a revised financial statement, so as to allow the two arms of the budgetary authority to arrive at a timely agreement on the financing of the agency. When the creation of a new European school is envisaged by	

Commission proposal on the IIA	Possible EP modifications
the Board of Governors, a similar procedure is to be applied for its budgetary implications on the EU budget.	
	25a. The Commission will review the work of existing agencies with a view to identifying possible areas of duplication of work and to streamlining their functioning.
Done at Brussels, For the European Parliament For the Council For the Commission The President The President Member of the Commission	
ANNEX - INTERINSTITUTIONAL COOPERATION DURING THE BUDGETARY PROCEDURE	
Part A. Calendar of the budgetary procedure	
1. The institutions shall follow the calendar defined in the points 2, 3, 5, 11, 12, 13, 14 and 15 below for the various steps of the budgetary procedure. In due time before the start of the budgetary procedure, they can agree jointly, if needed, on any adjustments deemed appropriate to this calendar.	
Part B. Priorities for the Budget Procedure	
2. In due time before the adoption of the draft budget by the Commission and at the latest in April, a meeting of the trilogue shall be convened to discuss the possible priorities for the budget of the forthcoming financial year.	
Part C. Establishment of the Draft Budget and Updating of Estimates	

Commission proposal on the IIA		Possible EP modifications
3.	The institutions, other than the Commission, are invited to adopt their statement of estimates before the end of March at the latest.	
4.	Before the adoption of their statements of estimates, the European Parliament, the Council and the Commission will agree on orientations regarding the desirable annual variation in the level of administrative expenditure for all institutions.	
5.	The Commission shall adopt the draft budget in the last week of April or at the latest during the first week of May. It shall finalise the draft budget, including the general statement of revenues, and shall make it available officially before the end of May.	
6.	The Commission shall present each year a draft budget showing the European Union's actual financing requirements. It shall take into account: a) forecasts in relation to the Structural Funds provided by the Member States, b) the capacity for utilising appropriations, endeavouring to maintain a strict relationship between appropriations for commitments and appropriations for payments, c) the possibilities for starting up new policies through pilot projects and/or new preparatory actions or continuing multiannual actions which are coming to an end, after assessing whether it shall be possible to secure a basic act,	

Commission proposal on the IIA	Possible EP modifications
within the meaning of the Financial Regulation (definition of a basic act, necessity of a basic act for implementation and exceptions), d) the need to ensure that any change in expenditure in relation to the previous year is in accordance with the constraints of budgetary discipline.	
7. The institutions shall, as far as possible, avoid entering items in the budget involving insignificant amounts of expenditure on operations.	
8. The two arms of the budgetary authority also undertake to bear in mind the assessment of the possibilities for implementing the budget made by the Commission in its drafts and in connection with implementation of the current budget.	
9. In the interest of sound financial management and owing to the effect of the major changes in the budget nomenclature in the titles and chapters on the management reporting responsibilities of Commission departments, the two arms of the budget authority undertake to discuss any major changes with the Commission during the conciliation.	
10. Until such time as the Conciliation Committee is convened, the Commission may, if necessary, amend the draft budget in accordance with Article 314(2) TFEU including by an amending letter updating expenditure estimates for agriculture. The Commission shall submit information on updates to the two arms of the budget authority for their consideration as soon as	

Commission proposal on the IIA	Possible EP modifications
they are available. It shall supply the budgetary authority with all the duly justified reasons it may require.	
Part D. Budgetary procedure before the Conciliation	
11. A trilogue meeting shall be convened in good time before the Council's reading to allow the institutions to have an exchange of views on the draft budget.	
12. In order for the Commission to be able to assess in due time the implementability of amendments envisaged by the budgetary authority which create new preparatory actions/pilot projects or prolong existing ones, both arms of the budgetary authority shall inform the Commission by mid-June of their intentions in this regard, so that a first discussion may already take place at this trilogue.	
13. The Council completes its reading by the end of July at the latest.	
14. The European Parliament's Committee on Budgets votes on its reading by the end of September or early October at the latest and the European Parliament's Plenary votes on its reading by the end of October at the latest.	
15. A trilogue meeting could be convened before the European Parliament's Plenary votes.	
Part E. Conciliation process	
16. If the European Parliament votes amendments to the Council's	

Commission proposal on the IIA		Possible EP modifications
	position, the President of the Council will, during the same plenary meeting, take note of the differences in the position of the two institutions and give his/her agreement for the President of the EP to convene the Conciliation Committee immediately. The letter convening the Conciliation Committee will be sent at the latest on the first working day of the week following the end of the parliamentary session during which the plenary vote was delivered and the conciliation period will start on the following day. The 21-day time period is calculated pursuant to Regulation (EEC Euratom) No 1182/71 determining the rules applicable to periods, dates and time limits.	
17.	If the Council cannot agree on all the amendments voted by the European Parliament, it would confirm its position by letter sent before the first trilogue foreseen during the conciliation period. In such case, the Conciliation Committee will proceed in accordance with the conditions laid down in the following points.	
18.	The Conciliation Committee shall be chaired jointly by representatives of the European Parliament and of the Council. Committee meetings shall be chaired by the co-chair of the institution hosting the meeting. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting and define its mandate for the negotiations.	
19.	In accordance with Article 314(5) TFEU, second subparagraph, the Commission shall take part in the conciliation proceedings and shall take all the necessary initiatives with a view to	

Commission proposal on the IIA		Possible EP modifications
	reconciling the positions of the European Parliament and the Council.	
20.	Trilogues shall take place throughout the conciliation procedure, at different levels of representation, with the aim of resolving outstanding issues and preparing the ground for an agreement to be reached in the Conciliation Committee.	
21.	The meeting of the Conciliation Committee and of the trilogues shall be held alternately at the premises of the European Parliament and the Council, with a view to an equal sharing of facilities, including interpretation facilities.	
22.	The dates of the meetings of the Conciliation Committee and the trilogues will be set in advance before the beginning of the budgetary procedure by agreement of the three institutions.	
23.	A common set of documents (input documents) comparing the various steps of the budgetary procedure will be made available for the Conciliation Committee[14]. It will include "line by line" figures, totals by financial framework headings and a consolidated document with figures and remarks for all budget lines deemed technically "open". Without prejudice to the final	

[14] The various steps will include: the budget of the current financial year (including adopted amending budgets); the initial draft budget; the Council's position on the draft budget; the European Parliament's amendments on the Council's position and the letters of amendment presented by the Commission (if not yet fully approved by all institutions).

Commission proposal on the IIA	Possible EP modifications
decision of the Conciliation Committee, a specific document will list all budget lines deemed technically closed[15]. These documents will be classified by budgetary nomenclature. Other documents will also be attached to the input documents for the Conciliation Committee, including a letter of executability of the Commission on the Council's position and the European Parliament's amendments; and possible letter(s) from other Institutions on the Council's position and the European Parliament's amendments.	
24. With a view to reaching agreement by the end of the conciliation period, trilogues will: – define the scope of the negotiations of the budgetary issues to be addressed; – endorse the list of the budget lines deemed technically closed, subject to the final agreement on the entire budget of the financial year; – discuss issues identified under the first indent in view of reaching possible agreements to be endorsed by the Conciliation Committee; – address thematic issues, including by headings of the multi-annual financial framework. Tentative conclusions will be drawn jointly during or	

[15] A budget line deemed technically closed is a line for which there is no disagreement between the European Parliament and the Council, and for which no letter of amendment has been presented.

	Commission proposal on the IIA	Possible EP modifications
	immediately after each trilogue, simultaneously with the agenda of the following meeting. Such conclusions will be registered by the institution hosting the trilogue and will be deemed provisionally approved after 24 hours without prejudice of the final decision of the Conciliation Committee.	
25.	The meetings of the Conciliation Committee will have available the conclusions of trilogues and a document with the budget lines for which an agreement has been tentatively reached during the trilogues for possible endorsement.	
26.	The joint text provided for in Article 314(5) of the TFUE shall be established by the secretariats of the European Parliament and of the Council with the assistance of the Commission. It will consist of an introductory legal document, containing the date of the agreement at the Conciliation Committee, and annexes, which will include: – line by line figures for all budget items and summary figures by financial framework headings; – a consolidated document, indicating figures and final text of all lines that have been modified during the conciliation; – the list of the lines not modified with regard to the draft budget or the Council's position on it. The Conciliation Committee may also approve conclusions and possible joint statements in relation to the budget.	
27.	The joint text will be translated in all languages (by the services of the European Parliament) and will be submitted to the approval of the two arms of the budgetary authority within	

Commission proposal on the IIA	Possible EP modifications
14 days from the date following the date of agreement on the joint text pursuant to Point 26. The budget will be subject to legal-linguistic finalisation after the adoption of the joint text by integrating the annexes of the joint text with the budget lines not modified during the conciliation process.	
28. The institution hosting the meeting (trilogue or conciliation) will provide interpretation facilities with a full linguistic regime applicable to the Conciliation Committee meetings and an ad hoc linguistic regime for the trilogues. The institution hosting the meeting will ensure reproduction and distribution of room documents. The services of the three institutions will cooperate for the encoding of the results of the negotiations in order to finalise the joint text.	
Part F. Amending Budgets	
General principles 29. Having in mind that amending budgets are frequently focused on specific and sometimes urgent issues, the institutions agree on the principles below to ensure appropriate interinstitutional cooperation for a smooth and swift adoption of the amending budgets while avoiding, as far as possible, to have to convene a conciliation meeting for amending budgets.	
30. As far as possible, the institutions shall endeavour to limit the	

Commission proposal on the IIA	Possible EP modifications
number of amending budgets.	
Calendar 31. The Commission shall inform in advance the two arms of the budgetary authority of the possible dates of adoption of draft amending budgets without prejudice to the final date of adoption.	
32. In accordance with its internal rules of procedure, each arm of the budgetary authority shall endeavour to examine the draft amending budget proposed by the Commission at an early opportunity after adoption by the Commission.	
33. In order to speed up the procedure, the two arms of the budgetary authority shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent fashion. They shall therefore seek as soon as possible to establish an indicative timetable for the various stages leading to the final adoption of the amending budget. The two arms of the budgetary authority shall take into account the relative urgency of the amending budget and the need to approve it in due time to be effective during the year concerned.	
Cooperation during the reading of each arm of the Budgetary Authority 34. The institutions shall cooperate in good faith throughout the procedure clearing the way, as far as possible, for the adoption	

Commission proposal on the IIA	Possible EP modifications
of amending budgets at an early stage of the procedure. When appropriate and when there is a potential divergence, each arm of the budgetary authority, before taking its final position on the amending budget, or the Commission, may propose to convene a specific trilogue, to discuss the divergences and to try to reach a compromise.	
35. All draft amending budgets proposed by the Commission and not yet finally approved shall be systematically on the agenda of the trilogues planned for the annual budgetary procedure. The Commission shall present the draft amending budgets and the two arms of the budgetary authority shall, as far as possible, notify their respective position ahead of the trilogue.	
36. If a compromise is reached during a trilogue, each arm of the budgetary authority undertakes to consider the results of the trilogue when deliberating on the amending budget in accordance with the Treaty and its internal rules of procedure.	
Cooperation after the reading of each arm of the budgetary authority 37. If the European Parliament approves without amendments the position of the Council, the amending budget shall be adopted.	
38. If the European Parliament adopts amendments by a majority of its component members, Article 314(4)(c) TFEU apply. However, before the Conciliation Committee meets a trilogue shall be called. – If an agreement is reached during the trilogue and subject	

Commission proposal on the IIA	Possible EP modifications
to the agreement of each arm of the budgetary authority on the results of the trilogue, the conciliation shall be closed by an exchange of letters without a meeting of the Conciliation Committee. – If no agreement is reached during the trilogue, the Conciliation Committee shall meet and organise its work in accordance with the circumstances, with a view of completing as much as possible the decision-making process before the twenty-one-day deadline laid down in Article 314(6) TFEU. The Conciliation Committee may conclude by an exchange of letters.	

6 21.9.2012

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Marietta Giannakou

SUGGESTIONS

The Committee on Foreign Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Points out that during the 2007-2013 multiannual financial framework (MFF), an important number of corrections have had to be made under Heading 4 of the European Union's budget, either because budgetary envelopes were too limited or because of a lack of flexibility within heading 4 to deal with unexpected circumstances; reiterates its position that the new responsibilities conferred to the EU by the Treaty on the Functioning of the European Union require appropriate additional funding compared to MFF 2007-13 in order to allow the Union to fulfil its role as a global actor whilst upholding the undertakings it has already given; underlines the complementary nature of EU assistance to that provided by the Member States, and its catalyst effect to intervene in regions where bilateral assistance is not delivered; is particularly supportive of the procedures proposed by the Commission to strengthen joint programming between Member States and EU actions;

2. Considers in this respect that the Commission's proposal on the commitments envelope for Heading 4 reflects the concerns of the European Parliament as expressed in its resolution of 8 June 2011[16] and the real needs of the European Union's external action; welcomes the signal which this proposal represents for all the EU's partners, both the countries that receive aid from the EU and the other donor countries; notes, however, that the Commission proposal is the minimum to fulfil EU goals endorsed by all heads of States and Governments and enshrined in the Lisbon Treaty; expects the Council, if it is not able to fully endorse Commission's proposal, to clearly identify and justify which of the priorities or projects should be dropped or scaled down despite their proven European

[16] Texts adopted on that date, P7_TA(2011)0266, Resolution of the European Parliament on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe.

added value;

3. Reiterates, nevertheless, its very firm conviction that increased budgetary flexibility in the whole MFF that all parties consider necessary is particularly vital in the Heading 4 context; calls on the Commission to propose, if required, specific rules for this budget heading so as to guarantee responsiveness to crises and to imperative needs that cannot be planned for in advance, while fully respecting the prerogatives of the budgetary authority; takes note, moreover, that the Commission has proposed enhanced mechanisms within each multiannual programme to enable the EU to adapt its financing to political needs and constraints;

4. Reiterates its call for an appropriate procedure to be put in place for the reallocation of unused funds under Heading 4 at the end of the budget year; also considers that Parliament's assent to the proposal for a Council regulation for the 2014-2020 MFF should be made conditional upon, amongst other things, the Council's agreement to the Commission's proposals on reuse of the revenue and the refunds generated by the financial instruments; welcomes the Commission's proposal to make stronger use of innovative financial instruments in the field of external relations with a wider range of relevant organisations and financial institutions;

5. Reiterates its support for all the instruments for implementing the European Union's external action proposed for the 2014-2020[17] period, and in particular for the neighbourhood instrument; emphasises that an appropriate balance between the assistance to the Eastern and Southern neighbours should be maintained whilst also taking into account the performance of the beneficiary countries; welcomes the new partnership instrument that is aimed at inaugurating a new form of cooperation with countries which have a strategic interest for the European Union;

6. Reiterates, furthermore, its support to the European Investment Bank and the European Bank for Reconstruction and Development, who can rest assured that the EU will ensure the financial cooperation of the neighbouring countries, particularly in respect of the funding of SMEs and microcredits;

7. Considers that financial assistance to the candidate and potential candidate countries, and to other beneficiary and partner countries, must be made more adaptable; believes indeed that the budgetary effort made by the European Union must correspond to the rhythm and the real progress, in accordance with the 'more for more' principle, whilst taking account of the Union's integration capacity; underlines that the 'more for more' principle also means less for countries which do not fulfil their commitments;

8. Recalls the EU's responsibility for promoting world security, democracy, respect for the rule of law, sustainable and inclusive economic development; strongly underlines the added value of EU multiannual programmes such as the Instrument of Stability and the Human rights instrument in that respect; further underlines that all EU external actions

[17] European Neighbourhood Instrument, Instrument for Pre-Accession Assistance, Instrument for Stability, Partnership Instrument, Development Cooperation Instrument, European Instrument for Democracy and Human Rights, Common Foreign and Security Policy, Humanitarian Aid Instrument, Civil Protection Financial Instrument, macro-economic assistance, European Guarantee Fund for external action.

6 programs should be made more accessible to civil societies, social partners and local and regional authorities, with the aim of encouraging their engagement and ownership;

9. Strongly defends the need to maintain the Emergency Aid Reserve, which has been shown to work particularly well in its present form, as an unprogrammed reserve outside the MFF 2014-2020 ceilings and to provide it with a significant, realistic financial allocation, enabling the Union to respond quickly to unforeseen needs and unexpected crises via an ad hoc mobilisation whenever necessary; welcomes the Commission's proposal to increase its funding to EUR 350 Mio (2011 prices) and to allow its use up to the year n+1 as a very positive step in the right direction; underlines that the integration of the Emergency Aid reserve, as suggested by some Member States, into heading 4 risks resulting in a decrease of overall funding available for EU external action;

10. Considers it important for the effectiveness of EU foreign policy that the European External Action Service is provided with sufficient resources to carry out the increasing number of tasks entrusted to it; stresses, however, in this respect that these resources should be used in the most efficient way, including through a more balanced staffing structure.

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	20.9.2012
Result of final vote	+: 60 –: 4 0: 1
Members present for the final vote	Franziska Katharina Brantner, Elmar Brok, Jerzy Buzek, Tarja Cronberg, Arnaud Danjean, Mário David, Michael Gahler, Marietta Giannakou, Ana Gomes, Andrzej Grzyb, Liisa Jaakonsaari, Jelko Kacin, Ioannis Kasoulides, Nicole Kiil-Nielsen, Evgeni Kirilov, Maria Eleni Koppa, Paweł Robert Kowal, Eduard Kukan, Vytautas Landsbergis, Krzysztof Lisek, Sabine Lösing, Ulrike Lunacek, Francisco José Millán Mon, María Muñiz De Urquiza, Annemie Neyts-Uyttebroeck, Norica Nicolai, Pier Antonio Panzeri, Ioan Mircea Paşcu, Alojz Peterle, Bernd Posselt, Hans-Gert Pöttering, Cristian Dan Preda, Libor Rouček, Tokia Saïfi, José Ignacio Salafranca Sánchez-Neyra, Nikolaos Salavrakos, Jacek Saryusz-Wolski, György Schöpflin, Werner Schulz, Marek Siwiec, Sophocles Sophocleous, Laurence J.A.J. Stassen, Charles Tannock, Inese Vaidere, Johannes Cornelis van Baalen, Geoffrey Van Orden, Sir Graham Watson, Boris Zala
Substitute(s) present for the final vote	Laima Liucija Andrikienė, Elena Băsescu, Marije Cornelissen, Jacek Protasiewicz, Teresa Riera Madurell, Carmen Romero López, Marietje Schaake, Helmut Scholz, Alf Svensson, Indrek Tarand, Traian Ungureanu, Ivo Vajgl, Luis Yáñez-Barnuevo García, Joachim Zeller, Janusz Władysław Zemke
Substitute(s) under Rule 187(2) present for the final vote	Maria Badia i Cutchet, Ivari Padar

6 4.9.2012

OPINION OF THE COMMITTEE ON DEVELOPMENT

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM (2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Charles Goerens

SUGGESTIONS

The Committee on Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Recalls that the 2015 deadlines for meeting the Millennium Development Goals (MDG) and the collective target of 0.7 % of gross national income to be provided as official development assistance (ODA/GNI) both fall due within the 2014-2020 MFF period; underlines that, after witnessing severe drops in ODA levels from 2010 to 2011 in 14 EU Member States and a decrease in the collective ODA/GNI level from 0.44 % to 0.42 %, the next MFF constitutes a critical opportunity for EU donors to redouble their efforts to get back on track and comply with their international commitments; emphasises that the EU's development budget complements the efforts of Member States and helps them to reach these targets, with a particularly significant leverage effect on the aid budgets of some Member States, irrespective of their size;

2. Is particularly proud that the quality of EU aid has significantly improved over the past decade, making the EU institutions today a global leader in aid effectiveness and transparency[18], with measurable and substantial results in terms of tangible improvements to the lives of millions of people in developing countries; recalls, moreover, the vital role of the EU institutions in coordinating European development policy and assistance and the comparative advantage of EU aid in a number of areas, which allows the EU to deliver its aid often with greater efficiency, effectiveness and predictability than individual Member States could through bilateral programmes;

[18] See inter alia: 'European Union Peer Review 2012.' OECD Development Assistance Committee, 24.04.2012; and: 'The Quality of Official Development Assistance Assessment 2009: Is Aid Quality Improving?' Brookings Institution and Center for Global Development, 04.02.2012.

3. Stresses that the EU budget plays a key role by providing Member States with the possibility to cooperate with countries where they are not present and to continue supporting countries where they have stopped cooperation programmes, particularly in fragile states and in post-conflict situations; recalls that, thanks to the EU's development aid, 31 million people now have access to drinking water and 9 million to sanitation facilities; 5 million children have been vaccinated against measles; there are 9 million new pupils in primary education, 700 000 teachers have had access to training, and more than 80 000 female students have been enrolled in secondary education; therefore urges the Council to continue its support with sufficient means for our added value to human development and the eradication of poverty;

4. Welcomes the increase in the heading 4 financial envelope proposed by the Commission, as compared to the MFF 2007-2013; stresses, nevertheless, that the proposal presented by the Commission in 2004 for the MFF 2007 -2013 was larger in real terms than its proposal for 2014-2020; emphasises that heading 4, which was chronically underfunded under the MFF 2000-2006 and 2007-2013, should not fall victim to cuts inspired by the austerity climate that prevails in a number of Member States; is of the opinion that an ambitious level of funding for the external instruments, as proposed by the Commission in its Communication 'A Budget for Europe 2020'[19], in particular for the Development Cooperation Instrument (DCI), humanitarian aid and the European Development Fund (EDF), which respectively take up merely 2 %, 0.62 % and 2.96 % of the proposed total EU budget, is critical for the Union and its Member States to meet their international development commitments;

5. Strongly urges the Member States and European Institutions to put in place a European Financial Transaction Tax (FTT) as soon as possible; stresses that a significant part of the revenue of any transaction tax implemented in Europe should go to financing development and the fight against climate change; underlines that if the FTT becomes one of the new EU own resources, it should contribute to a significant increase of heading 4;

6. Underlines that PCD, as enshrined in Article 208 of the TFEU, must emerge and remain as a key horizontal principle during the MFF negotiations;

7. Notes that in recent years, *inter alia* in the face of increasingly frequent and devastating natural disasters, the funds available to address urgent natural and humanitarian disasters have year after year been insufficient; is grateful to EU citizens for their continued strong and growing support for EU humanitarian aid for those most in need around the globe[20], even in the face of the financial and economic crisis affecting several EU Member States; underlines, therefore, the need to ensure appropriate budgetary allocations for the humanitarian and food aid budget lines within heading 4, as well as for a realistically funded Emergency Aid Reserve;

8. Strongly defends the need to maintain the Emergency Aid Reserve, which has shown to work particularly well in its present form, as an unprogrammed reserve outside the MFF

[19] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A Budget for Europe 2020', COM(2011)500 final of 29.06.2011, p 20.
[20] See: Special Eurobarometer 384 'Humanitarian aid report', June 2012.

2014-2020 ceilings and to provide it with a significant, realistic financial allocation, enabling the Union to respond quickly to unforeseen needs and unexpected crises via an ad-hoc mobilisation whenever necessary; underlines that the integration of the Emergency Aid reserve into heading 4, as advocated by some Member States, risks resulting in a decrease of overall funding available for EU external action, in particular for development funding; strongly welcomes the Commission's proposal to increase its funding to EUR 350 million (2011 prices) compared to MFF 2014-2020 and to allow its use up to the year n+1 as a very positive step in the right direction; emphasises that the Emergency Aid Reserve should remain outside the MFF ceilings in order to guarantee the independence, flexibility and speed which are crucial for effective humanitarian aid delivery;

9. Underlines that the principle of differentiation must lead to a concentration of development funding on a lower number of partner countries eligible for bilateral cooperation through geographic programmes, rather than to a reduction of the DCI's overall financial envelope, taking into account also that the EU will maintain its cooperation with 'graduating' partner countries via the DCI's regional and thematic programmes, which also requires adequate funding;

10. Underlines the global responsibility of the EU in tackling climate change; recalls that pledges resulting from the Copenhagen and Cancun agreements aimed at helping developing countries to address climate change must be 'new and additional' to the existing development aid, with an adequate level of coherence being maintained between the two policies; calls, consequently, for the EU to remain ambitious, notwithstanding the current economic crisis, and for EU climate funding to be fully additional to the 0.7 % ODA target and traceable across the EU budget; expects a strong political commitment from the Commission and the Council in that respect;

11. Notes that the Commission has proposed, as part of the DCI, the Pan-African Programme as a completely new programme, which will be funded with approximately 4.3 % of the overall DCI budget, complementing the other existing geographic and thematic programmes; stresses that this extension of the DCI's scope must be adequately reflected in the DCI's financial allocation;

12. Favours, in principle, budgetisation of the European Development Fund (EDF); insists, however, that incorporating the EDF into the EU budget must imply the transfer of the entire EDF funding to heading 4 and should under no circumstances be used as a pretext for reducing overall spending for the EU's external action in general, and development assistance in particular, and must lead to greater predictability of aid; is of the opinion that, in light of the current budgetary and economic crisis, the risk of EDF budgetisation leading to a decrease in the overall funding level for cooperation with ACP partners is too high; urges the Commission to live up to its commitments to bring forward without delay proposals for aligning Parliament's scrutiny of the EDF to the scrutiny rights that exist under the EU general budget, specifically the DCI, as well as for budgetising the EDF starting with the post-2020 MFF.

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	3.9.2012
Result of final vote	+: 23 –: 1 0: 0
Members present for the final vote	Thijs Berman, Ricardo Cortés Lastra, Nirj Deva, Leonidas Donskis, Catherine Grèze, Eva Joly, Filip Kaczmarek, Miguel Angel Martínez Martínez, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Birgit Schnieber-Jastram, Michèle Striffler, Alf Svensson, Keith Taylor, Patrice Tirolien, Anna Záborská, Iva Zanicchi
Substitute(s) present for the final vote	Santiago Fisas Ayxela, Enrique Guerrero Salom, Fiona Hall, Gesine Meissner, Horst Schnellhardt
Substitute(s) under Rule 187(2) present for the final vote	Phil Prendergast

6 18.9.2012

OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Syed Kamall

SUGGESTIONS

The Committee on International Trade calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Recommendations

1. Notes that, even if actions designed to enhance the EU's trade and economic relations are provided for in various instruments, in the proposal for the MFF 2014-2020, under heading 4 (Global Europe), proper account must be taken in individual subheadings of the EU's trade policy objectives of achieving the promotion of open markets in a spirit of reciprocity in order to create economic growth and employment and to promote sustainable development;

2. Believes that the economic and trade components of the partnership instruments, while remaining within the overall existing budget, should receive a larger share of its allocation, in order to ensure that the EU's main channels for economic cooperation with its major trade partners are not neglected in the final MFF negotiations;

3. Notes the Commission's proposal to expand commitments under heading 4; insists that the proposed budget increase for the Southern and Eastern Neighbourhood Policy must be used to contribute substantially towards fulfilling the social as well as economic aspirations of the masses in those regions and that increased funding will take place on the condition of promoting sustainable economic development, deepened regional co-operation, a decrease in unemployment and a rise in living standards for the whole population;

4. Urges, in view of the macro-economic environment and the challenges that must be faced

in a changing world and in order to ensure better and more efficient use of existing EU funds, that the MFF 2014-2020 be allowed greater flexibility to appropriately address changing circumstances and priorities while respecting agreed payment appropriation levels;

5. Asks for consistency with regard to the instruments under heading 4 and the budget allocations envisaged for the latter under heading 5; stresses that successful implementation of heading 4 instruments will be ensured through procedural and spending-level checks that can be best carried out, especially in third countries, if sufficient resources are available;

6. Asks for consistency with regard to all the instruments of the MFF, in order to permit the implementation of a common industrial strategy based on research and innovation, so as to ensure that the European Union maintains its production capacities;

7. Notes the EU's ambition to allocate at least 20% of its budget to contribute to a low-carbon and climate-resilient society and to mainstream action on climate and biodiversity throughout its external instruments; underlines the priority status of this objective and states that the allocation of 20% must be seen as the bare minimum; insists that this objective must find its expression in the EU's trade policy as reflected in the external instruments;

8. Considers that the European Union should take social, health and environmental standards into account when negotiating trade agreements instead of creating budget lines aimed at compensating for damage which could result from the entry into force of those trade agreements.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.9.2012
Result of final vote	+: 21 –: 3 0: 2
Members present for the final vote	William (The Earl of) Dartmouth, Nora Berra, David Campbell Bannerman, María Auxiliadora Correa Zamora, Christofer Fjellner, Metin Kazak, Franziska Keller, Bernd Lange, David Martin, Vital Moreira, Paul Murphy, Cristiana Muscardini, Franck Proust, Godelieve Quisthoudt-Rowohl, Niccolò Rinaldi, Helmut Scholz, Peter Šťastný, Robert Sturdy, Gianluca Susta, Henri Weber, Paweł Zalewski
Substitute(s) present for the final vote	Amelia Andersdotter, George Sabin Cutaş, Syed Kamall, Marietje Schaake, Jarosław Leszek Wałęsa, Pablo Zalba Bidegain
Substitute(s) under Rule 187(2) present for the final vote	Emilio Menéndez del Valle

8.10.2012

6

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Jan Mulder

SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Recommendations

Horizontal issues

1. Takes into account the important and ongoing changes in the real economy of the Member States brought about by the crisis; insists, therefore, that the actions foreseen in the Multiannual Financial Framework (MFF) for 2014-2020 be based on the Member States' current economic and social situation and, where appropriate, be readjusted to align with the overall objectives described by the European Council in its conclusions of 28-29 June 2012 under the heading 'The contribution of European policies to growth and employment';

2. Supports the overall financial envelope for the future multiannual financing period as outlined in the Commission proposal for a Council regulation laying down the multiannual financial framework for the years 2014-2020; is of the opinion, however, that the regulation's scope should be limited to the principles of sound financial management, as changing political and economic circumstances and unforeseen events may require adjustments over seven years; believes that more detailed provisions should therefore be incorporated into the Interinstitutional Agreement (IIA);

3. Considers it regrettable that, in preparation for the new multiannual financial framework (MFF) 2014-2020, the European Court of Auditors (ECA) was not asked to draft a 'landscape report' outlining the strengths and weaknesses of the previous MFF; calls, therefore, on the ECA to prepare such a report in the run-up to the MFF past 2020;

4. Remains convinced that sound budgetary management must build on the experience of budgetary execution gained in previous years; considers, in this connection, that the efforts of the Committee on Budgetary Control, as a committee with horizontal competences, are of particular importance;

5. Deplores the fact that the new draft Interinstitutional Agreement does not contain – as regards budget implementation – any provisions on economy, effectiveness and efficiency and sound financial management from the point of view of budgetary control;

6. Calls for provisions on accountability, transparency and sound financial management to be added to the new IIA, insofar as these are not covered by the future revised Financial Regulation (FR);

7. Insists that the Member States must shoulder their share of responsibility in accordance with Article 317 of the Treaty on the Functioning of the European Union; recalls that 90 % of the errors detected by the ECA occurred in Member States, and that the majority of those errors could have been avoided;

8. Calls on all Member States to issue national management declarations signed at the appropriate political level; takes the view that, where a Member State has submitted a national management declaration in relation to expenditure under the system of shared management, financial corrections should be reduced by 15 % per fund;

9. Calls on the Commission to establish, in cooperation with the Member States, a model for national management declarations which will make them significant and comparable; takes the view that such declarations should, inter alia, certify criteria (such as true and fair accounts, the effectiveness of management and control systems and the legality and regularity of the underlying transactions), specify the coverage of assurance and the underlying basis for assurance, be accompanied by an audit opinion and include reservations and disclaimers[1]; takes the view that the Court and the Commission should be able to incorporate the content of national management declarations into their audit work;

10. Calls on all Member States to deliver meaningful annual summaries and make them public;

11. Deplores the fact that the European Stability Mechanism (ESM) was created on an intergovernmental basis, outside the institutional structures of the European Union, even though the euro is one of the Union prerogatives; points out that this renders decision-making under the ESM Treaty opaque, raising doubts with regard to accountability and democratic scrutiny;

Specific issues

12. Calls for the revenue and expenditure occasioned by the implementation of the respective European Development Fund to be included in the general budget of the Union in order to

[1] See Annex 1 of the letter of 24 February 2011 from Commissioner Šemeta to the Chair of the Committee on Budgetary Control.

ensure adequate democratic scrutiny; notes that the funds available under Heading 4 should be increased accordingly;

13. Calls, with a view to enhancing efforts to combat cigarette smuggling and counterfeiting, for fines generated by sanctions for illegal traffic in tobacco products to be considered as external assigned revenue;

14. Calls for fines imposed in the area of competition, other fines and amounts receivable as a result of out-of-court settlements, understandings or any other similar agreements with non-state third parties to constitute revenue to the EU budget, be it assigned revenue or other forms of revenue;

15. Notes that non-differentiated appropriations corresponding to obligations duly contracted at the close of the financial year should be carried over automatically to the following financial year only, and that the same rule should apply to decommitted and unused appropriations (commitments and payments) not covered by Article 9, paragraphs 2 and 3, of the new draft FR, and to available, unspent margins below the overall ceiling of the MFF for each heading, which should constitute a 'global MFF margin' and be allocated to the different headings in the following financial year according to their needs;

16. Calls for the possibility of carrying over decommitted and unused appropriations (commitments and payments) from year N to the N+1 budget, or one of the future budgets, under the annual budgetary procedure by a decision of the budgetary authority; calls for decommitted and unused appropriations to be either allocated to a specific programme or entered into a provisional chapter; notes that, in such cases, resources from the Member States should be called for only after the budgetary authority has decided on the specific destination;

17. Calls for the possibility of carrying over unused margins under each ceiling of the MFF into any ceiling of subsequent years of the MFF, without modifying the total amount of the MFF;

18. Calls for surplus and unspent commitments from previous budgetary years of the current MFF, along with decommitted appropriations, to be entered in the reserve for payments and commitments;

19. Calls for value-added taxes (VAT) to be considered as eligible project costs;

20. Calls for the different kinds of budget support to be clearly defined; notes that the recipient's obligations and the conditions under which budget support is granted should also be plainly identified.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	8.10.2012
Result of final vote	+: 21 –: 0 0: 0
Members present for the final vote	Jean-Pierre Audy, Inés Ayala Sender, Zigmantas Balčytis, Zuzana Brzobohatá, Andrea Češková, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Iliana Ivanova, Monica Luisa Macovei, Eva Ortiz Vilella, Crescenzio Rivellini, Petri Sarvamaa, Theodoros Skylakakis, Bart Staes, Georgios Stavrakakis
Substitute(s) present for the final vote	Lucas Hartong, Derek Vaughan, Barbara Weiler
Substitute(s) under Rule 187(2) present for the final vote	Marek Józef Gróbarczyk

24.9.2012

6

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Pervenche Berès

SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Recommendations

1. Points out that cohesion policy must help reduce macroeconomic imbalances within the EU and contribute to economic and social convergence in accordance with the targets of the Europe 2020 strategy and especially its education, employment and poverty targets;

2. Considers that the record of cohesion policy, particularly at social level, and the impact of the crisis make it necessary to plan the round of budget programming with sufficient flexibility in terms of reprogramming to enable the EU to conduct a countercyclical policy;

3. Stresses that the new multiannual financial framework must have sufficient funding to allow the EU to remain credible towards its citizens and to achieve the ambitious targets of the Europe 2020 strategy;

4. Points out that, in view of the current economic and social crisis, the multiannual financial framework must support and encourage investment that promotes renewed economic activity, but above all must demonstrate its added value in tackling the structural challenges facing the Member States, particularly unemployment and poverty;

5. Stresses that the new framework, and the new financial instruments, must restore citizens' faith in the European project, mainstreaming Article 9 of the Treaty on the 'horizontal social clause' in order to guarantee a high level of employment and adequate social protection, fight against social exclusion and promote a high level of education, training and protection of health;

6

6. Insists that at least 25 % of the financial resources set aside for the Cohesion Policy should be allocated to the European Social Fund (ESF) in order to promote employability and encourage social investment;

7. Proposes that Member State commitments that remain unpaid after two years should be reallocated to other Union programmes and/or actions;

8. Underlines the importance of strengthening the administrative capacity of the authorities responsible for Cohesion Policy implementation in order to improve the management of the Structural Funds and, consequently, influence public authorities' capacity for governance; supports the Commission's proposals in this regard;

9. Welcomes the Commission's proposal and stresses the need to give over at least 20 % of the ESF to 'promoting social inclusion and combating poverty';

10. Firmly believes that the macroeconomic conditionality penalties proposed in connection with the Structural Funds run counter to the EU's fundamental principle of solidarity; calls for macroeconomic conditionality to be eliminated;

11. Firmly believes that the EU Programme for Social Change and Innovation has a crucial role to play in supporting the development and coordination of social policies at European level, facilitating access to microcredit and promoting worker mobility at cross-border level; stresses that, in view of the challenges involved in creating jobs and reducing unemployment and poverty, the programme's funding should be increased by 5 % in accordance with the its resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe;

12. Calls for the dramatic employment situation facing young people to be acknowledged in the multiannual financial programming; proposes, therefore, the creation of a 'Youth Initiative' within the EU Programme for Social Change and Innovation, with its own funding allocation of EUR 150 million;

13. Points to the essential role played by the European Globalisation Adjustment Fund (EGF) in combating the harmful effects of globalisation, industrial restructuring and unexpected crisis; recognises its added value as a crisis intervention instrument to help workers having lost their jobs to re-enter the labour market; stresses that the EGF must be continued and upgraded after 2014 as an instrument available, on equal terms, to all categories of workers; stresses the need to encourage the Member States to use the EGF to deliver on the EU 2020 targets, to manage restructuring and to promote new skills, including in connection with new, sustainable, high-quality jobs; stresses as well the need for a simplified and accelerated procedure regarding the payment of grants;

14. Stresses that a programme for the most deprived persons, including emphasis on food poverty, should improve the situation of poor people in Europe; reminds the Commission of its commitment to submit, in good time, a legislative proposal in this regard in order to ensure continuity of the support for such a programme after 2014 on a new legal basis and with independent funding (over and above the 20 % of the ESF set aside for promoting social inclusion and combating poverty), with emphasis on facilitating

organisations supporting the most needy and addressing the structural problem of food poverty;

15. Emphasises the importance of partnership contracts and the need for effective representation and participation of its Members in the monitoring committees as observers;

16. Points to the importance of closely involving the social partners in applying the funded programmes in order to ensure optimum implementation of the cohesion policy budget;

17. Points out that political decisions must be based on objective, detailed and reliable data and analyses; underlines the need for sufficient funding for EU agencies to enable them to carry out their remits and meet the requirements of the institutions to which they are answerable.

6 Modifications

Modification 1

Proposal for a Draft Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management
Paragraph 13 - indent 1

Draft opinion	*Amendment*
13. The European Globalisation Adjustment Fund is intended to provide additional support for workers who suffer from the consequences of major structural changes in world trade patterns, to assist them with their reintegration into the labour market, ***and also to farmers suffering from effects of globalisation***.	13. The European Globalisation Adjustment Fund is intended to provide additional support for workers who suffer from the consequences of major structural changes in world trade patterns ***due to globalisation or who suffer from the consequences of industrial restructuring or serious disruptions caused by an unexpected crisis***, to assist them with their reintegration into the labour market.

Modification 2

Proposal for a Draft Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management
Paragraph 13 – indent 2

Text proposed by the Commission	*Modification*
The Fund may not exceed a maximum annual amount of EUR 429 million (2011 prices).	***The annual amount of the Reserve is fixed at EUR 500 million (2011 prices) and can be used up to year n+1 in accordance with the Financial Regulation. The Reserve is entered in the general budget of the European Union as a provision.***

Modification 3

Proposal for a Draft Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management
Paragraph 13 – indent 3

6

Text proposed by the Commission	*Modification*
At the same time as it presents its proposal for a decision to deploy the Fund, the Commission shall present to the two arms of the budgetary authority a proposal for a transfer to the relevant budgetary lines. In the case of disagreement a trilogue procedure shall be initiated.	At the same time as it presents its proposal for a decision to deploy the Fund, the Commission shall present to the two arms of the budgetary authority a proposal for a transfer to the relevant budgetary lines ***whereas resources from the European Social Funds are usually not transferred***. In the case of disagreement a trilogue procedure shall be initiated.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.9.2012
Result of final vote	+: 36 –: 2 0: 2
Members present for the final vote	Regina Bastos, Edit Bauer, Heinz K. Becker, Pervenche Berès, Vilija Blinkevičiūtė, Philippe Boulland, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Marije Cornelissen, Emer Costello, Frédéric Daerden, Sari Essayah, Thomas Händel, Marian Harkin, Nadja Hirsch, Stephen Hughes, Danuta Jazłowiecka, Ádám Kósa, Jean Lambert, Veronica Lope Fontagné, Olle Ludvigsson, Thomas Mann, Elisabeth Morin-Chartier, Csaba Őry, Siiri Oviir, Licia Ronzulli, Elisabeth Schroedter, Jutta Steinruck, Traian Ungureanu, Andrea Zanoni, Inês Cristina Zuber
Substitute(s) present for the final vote	Kinga Göncz, Richard Howitt, Jan Kozłowski, Svetoslav Hristov Malinov, Anthea McIntyre, Antigoni Papadopoulou, Birgit Sippel, Csaba Sógor

24.9.2012

6

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Marisa Matias

SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Takes note of the opinion of the Committee on the Environment, Public Health and Food Safety on the report 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe' (2010/2211(INI)) of the Special Committee on Policy Challenges and Budgetary Resources for a Sustainable European Union after 2013;

2. Welcomes the working document on LIFE and beyond: Sustainability via the next Multiannual Financial Framework (MFF) 2014-2020, presented on 16 April 2012 by rapporteur Jutta Haug[1];

3. Takes note of the report of the Committee on the Environment, Public Health and Food Safety on the proposal for a regulation of the European Parliament and of the Council establishing a Health for Growth Programme, the third multi-annual programme of EU action in the field of health for the period 2014-2020 (COM(2011)0709 – C7-0399/2011 – 2011/0339(COD));

4. Believes that the multiannual financial framework (MFF) 2014-2020 should serve to meet the '20-20-20' climate and energy targets and raise the emission reduction target to 30 %;

[1] PE 487.708

6

5. Believes that the MFF should encompass all funds and measures, especially those related to the environment, civil protection, climate action, and food security, given that the EP advocates the Community method and is seeking to secure the maximum added value from EU resources;

6. Believes that the MFF should enable the EU to achieve its overall biodiversity goals and provide co-financing for the management of the Natura 2000 network;

7. Believes that the MFF should be in line with the Commission proposal to transfer food security funding to Heading 3 of the budget;

8. Believes that the MFF should provide the necessary means for environment and climate action, make better use of appropriate instruments, strengthen energy safety, build a resource-efficient and climate resilient economy, and enhance Union competitiveness with more and greener jobs, strengthen energy security and bring health benefits through cleaner air;

Environment and Climate Action Programme (LIFE)

9. Strongly demands that at least 0.5 % of the Union budget be allocated to the LIFE Programme, given its extremely positive track record as a small but well targeted and effective instrument, its high European added value and the fact that it is the only instrument exclusively targeting climate and environment challenges; emphasises that integrated spending for climate and environment via LIFE Integrated Projects should be actively supported within relevant Union funds; calls for LIFE to be allocated a share sufficient for it to contribute to a sound and steady management of the Natura 2000 network, taking into account the secured contribution of other Union funds;

10. Believes that the MFF should be based on what must be a cross-cutting approach, aimed at coordinating measures to combat climate change in all relevant areas of operations, including external policies, and, accordingly, earmark 30 % of the amount allocated to each of the policies and activities to be financed under it for measures to achieve the goal of combating climate change;

11. Believes that the MFF should ensure adequate financing of the Natura 2000 network through allocations of EU and Member State funding of at least EUR 5.8 billion per year, to be made available through various EU funds (CAP, Cohesion Policy, LIFE, EMFF, Horizon 2020), with better coherence and synergies between these funds through Prioritised Action Frameworks at the national level, in line with the Common Strategic Framework;

12. Believes that the MFF must ensure that funds for Global Climate and Biodiversity are quantified;

13. Believes that the MFF should provide support for public goods such as the preservation of biodiversity, climate stability, air quality, water quality and soil quality, while not undermining EU policy objectives;

14. Stresses that clear conditions regarding the safeguarding of the environment must be given

at calls for concession or public procurement;

15. Believes that the MFF should incorporate – and put a figure on – the projected international climate financing for developing countries, which, as agreed on at the United Nations Framework Convention on Climate Change (UNFCCC) negotiations, is to total USD 100 000 million per year by 2020;

16. Recalls its previous request that the Union's ambition of taking a sustainable low-carbon development path is mainstreamed into all spending policies; emphasises that a failure to decidedly target funds towards sustainability within the Union's cohesion, infrastructure, agriculture and research policy will lead to a feigned, short-sighted increase in flexibility, while strongly reducing the flexibility of future generations; calls, therefore, for intelligent earmarking within all funds as suggested in respective ENVI opinions, leading to at least 20 % of climate-related expenditure[1];

17. Strongly believes that the Europe 2020 strategy, accompanied by its flagship initiatives to be translated into concrete actions, commitments and legislative frameworks, should be the main policy reference for the next MFF; is convinced that all internal policies should contribute to achieving the targets set by the Europe 2020 strategy; therefore also considers that the structure of the MFF should reflect these strategic priorities: is committed to transform the European Union with an enhanced engagement in more sustainability towards smart, inclusive and competitive Europe; is convinced that investments in biodiversity and ecosystem measures and in resource efficiency as well as complementary actions at EU level in the public health area will contribute to sustainable growth and jobs; Emphasises the need to strengthen integration of EU environmental, public health and climate legislation and objectives into sectoral policies (such as CAP, cohesion policy, consumer policy, the CFP and development policy);

18. Stresses the need to establish solid safeguards to guarantee that the Union's sustainability objectives are not undermined by subsidising either environmentally harmful, carbon-intense activities or long-lasting infrastructure that locks our societies into unsustainable patterns; considers it indispensable, in this endeavour, that concrete safeguard instruments are horizontally applied to Union spending, such as comprehensive ex-ante conditionalities, strong cross-compliance rules, rigorous environment and climate proofing of programmes and projects (SEA, EIA), as well as climate and biodiversity positive and negative tracking; highlights that there would otherwise be a risk that incoherent investments reduce the cost-efficiency and that the added value of Union spending is deliberately accepted;

19. Strongly believes that the current debt crisis should not lead to short-sighted investments jeopardising not only the Union's financial capital but also its natural capital by further degrading biodiversity and eco-system services; calls instead for the establishment of an appropriate framework to counter the crisis by forward-looking investments addressing major future challenges, such as resource-efficiency, climate change and eco-system preservation, where the potential economic and social benefits would be significant;

[1] 20 % of climate-related spending have been proposed by the Commission in its Communication on 'A Budget for Europe 2020', COM(2011) 500 final Part II.

6

20. Calls for efforts to ensure that environmentally harmful subsidies are phased out of the MFF funds, notably support for carbon-intensive activities, activities increasing resource and energy intensity, activities damaging to ecosystems and biodiversity, and fuel subsidies;

21. Stresses that a significant part of Horizon 2020 funding should be allocated to promote research in the EU priority areas of climate action, renewable energy, sustainable management of natural resources and biodiversity, and eco-innovation; recalls that the specific objective of eco-innovation is to foster an innovative European industry and innovation community, capable of creating new products, processes and services that deliver sustainable growth as well as environmental benefits; stresses that the aim is to increase resource-efficiency, reduce environmental impacts, prevent (water) pollution and achieve more efficient, effective and responsible use of natural resources;

22. Believes that the MFF should provide support for sustainable agriculture, biodiversity and ecosystem services through the Common Agricultural Policies (CAP) by allocating half of total CAP funds to rural development, rural areas and their communities, of which more than half to deliver environmental benefits, by ensuring the conservation of biodiversity in the wider farmed landscape, improving connectivity and mitigating and adapting to the effects of climate change, stimulate innovation in sustainable agriculture and in resource efficiency; welcomes the Commission's CAP reform proposal that foresees a 'greening' of the CAP through dedicating 30% of Pillar I payments to a package of meaningful good basic practices applied at the farm level, which should include crop rotation and diversification, permanent pasture and of 'ecological focus area' and to support good agronomic practices;

23. Strongly believes that the Common Fisheries Policy (CFP) must promote long-term environmental sustainability as this is a prerequisite for economic and social stability and as it contributes to the availability of food supplies; demands, therefore, that the MFF supports a transition to efficient and sustainable fishing which ensures, for example, that maximum sustainable yield is achieved by 2015 and that discards are eliminated;

24. Believes that the funds for food security should be maintained, bearing in mind the need to ensure the efficiency of Union action in the event of an outbreak of animal or plant epidemic diseases; points out that the Union is periodically faced with unforeseen health threats, for which reason the Commission's proposal to cut the sum allocated to this line inside Heading 3 of the Union budget cannot be justified;

Cohesion Policy

25. Believes that the MFF should provide Cohesion Fund support for projects in the field of environment, especially biodiversity, resource efficiency, urban environment and air pollution;

26. Believes that the MFF should earmark resources of the European Regional Development Fund to energy efficiency, renewables, innovation and SMEs support;

27. Believes that the MFF should earmark resources of the European Regional Development Fund to energy efficiency, renewable energy, environment and resource efficiency, eco-

innovation and SMEs support;

28. Believes that the MFF should improve the environmental assessments of Cohesion Policy spending through ex-ante conditionalities as this will contribute towards preventing environmentally damaging spending and increase the quality of operational programmes;

Connecting Europe Facility

29. Believes that, in view of the long lifetime of major infrastructure projects to be supported by the Connecting Europe Facility (CEF) and financial instruments including Project Bonds, it is a priority to ensure that the funds, instruments and projects make a measurable contribution, by 2050, to the achievement of the goals of the Europe 2020 Strategy and the '20-20-20' energy and climate targets, as well as the Commission's roadmap for moving to a low-carbon economy; believes that infrastructure projects supported by the CEF and Project Bonds in the fields of energy, transport and communications should deliver a measurable positive impact on the environment, on climate and on low-carbon energy security; believes that project appraisal, evaluation and reporting should require a demonstrable contribution towards EU climate and energy policy goals and respect for all relevant environmental policies (SEA, EIA);

Health for Growth Programme

30. Believes that the MFF should consider the healthcare sector (one of the largest employment sectors in EU, accounting for 10 % of EU GDP and 10 % of EU employment, and numbering a higher than average percentage of workers with tertiary-level education) to be of major importance in a Europe in crisis; stresses the importance of the Health for Growth Programme 2014-2020, and underlines that by 2020 there will be a shortage of one million health workers in EU, pointing out that the programme should help to provide labour market incentives;

31. Stresses the need to keep the longer-terms interest of a stable economy in mind, as investments in healthcare, and in the quality of health for ageing EU citizens in the short term, will reduce health and care costs in the longer term;

Union Civil Protection Mechanism

32. Believes that the MFF should highlight the increasing number and gravity of natural and man-made disasters, and the fact that climate change may trigger more extreme disasters; believes that is should focus the Union Civil Protection Mechanism on actions inside the Union, allocating appropriate budgetary resources;

33. Welcome the Commission proposal to renew the Civil Protection Financial Instrument (CPI) to provide financial support for activities addressing the different aspects of the disaster management cycle, namely a more coherent and better integrated response in case of emergencies, improved preparedness to deal with disasters, and innovative actions to reduce the risk of disaster; points out that the CPI should also be used in the creation of the European Emergency Response Capacity, in which all Member State civil protection assets will participate, so as to generate enhanced cost-effectiveness through the coordinated availability of civil protection assets.

34. Believes that the MFF should support the renewal of the CPI so that financial support may be granted for activities forming part of different aspects of the disaster management cycle; believes that the amount allocated to this instrument will need to be managed flexibly in order to allow scope for increases when circumstances so demand;

35. Considers that the creation of the European Emergency Response Capacity will primarily build on existing Member State capacities, thereby avoiding additional costs; point out that at the EU level, the establishment of the European Emergency Response Centre, with strengthened planning and coordination functions, will bring gains for the whole EU by generating savings at Member State level which should outweigh the costs to the EU budget, although, of course, the benefits of fast and effective disaster response in terms of human lives saved cannot be measured in purely financial terms.

36. Recalls that the overall objectives of EU cooperation in the field of civil protection are to ensure better protection of people, the environment, property and the cultural heritage in the event of major natural, technological and man-made disasters, and that EU cooperation in the field of civil protection aims at:

a) facilitating a rapid and efficient response to disasters,
b) ensuring sufficient preparedness of civil protection actors to emergencies, and
c) developing measures for the prevention of disasters;

Implementation and monitoring

37. Insists on the importance of providing for a sufficient ceiling of commitments under Heading 5 in order to ensure that institutions and agencies can perform and carry out their duties in the most efficient way; stresses that the successful implementation and monitoring of multiannual programmes and policies, for the benefit both of the citizens of the Union and of the Member States, requires highly qualified, multilingual and independent staff, drawn from the widest possible geographical basis and fully committed to the values of the European project;

38. Believes that the next MFF should allow for a ring-fencing of large-scale projects such as the Global Monitoring For Environment and Security (GMES) programme; considers that the EU budget should make a long-term contribution to this programme in order to safeguard its planning, continuity and organisational stability; takes the view that if additional financial resources are needed for this large-scale programme, such funding should not be sought at the expense of successful smaller projects financed through the EU budget;

39. Takes note of the indicative amounts per decentralised agency in the remit of the Committee on Environment, Public health and Food Safety, as proposed by the Commission; is not convinced that these figures correspond to the needs of the agencies to fulfil their given tasks, as they represent a freezing of the agencies' budgets; requests that sufficient appropriations need to be assured for agencies working in the field of the environment, public health and food safety;

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	19.9.2012
Result of final vote	+: 44 –: 4 0: 8
Members present for the final vote	Martina Anderson, Sophie Auconie, Pilar Ayuso, Paolo Bartolozzi, Sergio Berlato, Lajos Bokros, Milan Cabrnoch, Nessa Childers, Esther de Lange, Bas Eickhout, Edite Estrela, Karl-Heinz Florenz, Elisabetta Gardini, Gerben-Jan Gerbrandy, Matthias Groote, Cristina Gutiérrez-Cortines, Satu Hassi, Jolanta Emilia Hibner, Dan Jørgensen, Karin Kadenbach, Christa Klaß, Eija-Riitta Korhola, Holger Krahmer, Corinne Lepage, Peter Liese, Zofija Mazej Kukovič, Linda McAvan, Radvilė Morkūnaitė-Mikulėnienė, Vladko Todorov Panayotov, Antonyia Parvanova, Andres Perello Rodriguez, Mario Pirillo, Frédérique Ries, Anna Rosbach, Oreste Rossi, Dagmar Roth-Behrendt, Kārlis Šadurskis, Carl Schlyter, Horst Schnellhardt, Richard Seeber, Theodoros Skylakakis, Claudiu Ciprian Tănăsescu, Salvatore Tatarella, Thomas Ulmer, Anja Weisgerber, Åsa Westlund, Glenis Willmott, Marina Yannakoudakis
Substitute(s) present for the final vote	Nikos Chrysogelos, José Manuel Fernandes, Christofer Fjellner, Jacqueline Foster, Jutta Haug, Judith A. Merkies, Vittorio Prodi, Michèle Rivasi, Marita Ulvskog, Andrea Zanoni
Substitute(s) under Rule 187(2) present for the final vote	Marisa Matias

6 25.9.2012

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Edit Herczog

SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Believes that, in order to enable the EU to emerge from the current economic and social crisis and guarantee its future competitiveness in a globalised world, it is absolutely essential that the objectives set out in the EU 2020 strategy for achieving smart, sustainable and inclusive growth are met; believes it is essential to reform the Union budget in order to better reflect the financial needs associated with tackling the challenges of the 21st century;

2. Welcomes the Commission's proposal to introduce a fairer, simpler and more transparent own resource system which would increase the share of own resources in the EU budget by up to 60 %, by 2018 at the latest; fully supports the Commission's proposal to introduce an EU-wide financial transaction tax as an EU own resource from 2014 onwards;

3. Believes that the Union budget can be a powerful agent for reform if EU spending is focused on areas which stimulate economic growth such as innovation, research and development;

4. Emphasises that a number of areas, among them innovation, research and development, strategic investments in infrastructural trans-European networks and foreign policy, need to be given priority before other areas in order to meet current and future political and economic challenges;

5. Stresses that one of the EU's most important objectives is to enhance its competitiveness and facilitate its transformation into a world-leading knowledge-based economy;

emphasises that the next MFF should support this process across all EU policy areas;

6. Underlines the key role that the EU budget must play in achieving the jointly agreed EU 2020 strategy objectives; stresses that the aim must be a smart and modern budget prioritising the Union's main political objectives, especially growth-generating areas, rather than a big budget encompassing everything; believes that if well devised, EU funding can actually trigger and catalyse actions having clear EU added value that Member States are unable to carry out on their own, as well as creating synergies and complementarities with Member States' activities by helping them to focus on key future-oriented investments; welcomes, therefore, the Commission's proposal to increase – relative to the current MFF 2007-2013 – the funding available for EU programmes in the areas of research, innovation, competiveness, SMEs and infrastructure; strongly believes that these proposed financial allocations constitute a bare minimum, and strongly warns against any temptation on the part of some Member States to cut them, as this would jeopardise the EU's credibility and its political commitment to growth and jobs; emphasises, at the same time, the need to ensure sufficient budgetary flexibility so that the budget resources can be aligned in an appropriate manner with evolving circumstances and priorities;

7. Calls for a full spending review of the current MFF, aiming at identifying, on the one hand, expenditure which is crucial for achieving the Union's policy objectives, and on the other, expenditure which is less relevant, with the target of reallocating 30 % of expenditure from areas no longer relevant to areas having high priority, thereby freeing up financial resources for other areas;

8. Stresses in particular the need to enhance, stimulate and secure the financing of research, development and innovation in the EU by significantly increasing relevant expenditure in the MFF 2014-2020 for the Horizon 2020 programme, and by radically simplifying funding procedures while strictly maintaining the principle of sound financial management;

9. Is convinced that Horizon 2020 funds should be in line with EU 2020 priorities, and should be used as a catalyst for EU added-value activities, better streamlining of EU public funds and increased leverage of private funds; believes that a minimum of 15 % of the Horizon 2020 budget should be earmarked for SMEs;

10. Highlights the added value provided by the EU's programmes in favour of SMEs, since they have proven extremely helpful in supporting Member States' efforts to secure SMEs' access to funding opportunities and foreign markets at a time of deep financial crisis; believes that improved, simplified and streamlined access to funding should be made available in the future to all industrial actors in the EU; believes that the scope of the relevant financial instruments should be enlarged to cover all phases of the business cycle;

11. Strongly believes that the expenditure allocated for the Programme for the Competitiveness of Enterprises and SMEs (COSME) must be doubled or at least substantially increased;

12. Takes the view that developing a new generation of sustainable energy systems in the EU will require major investment efforts in energy research and development; underlines,

6

therefore, the need to increase funding for research and technological development, and to maintain demonstration projects in the area of energy; calls for the budget for the Intelligent Energy – Europe Programme, managed by the Executive Agency for Competitiveness and Innovation, to be maintained and supplemented; calls for full implementation of the already-adopted Strategic Energy Technology (SET) Plan; asks the Commission and Council to clarify its funding in the framework of MFF 2014-2020; calls on the Commission and Council to ensure adequate funding for the development of intelligent energy networks;

13. Stresses the importance of allocating a sufficient level of funding to those Member States which, in the context of their negotiations for accession to the EU, made a commitment to close and subsequently decommission nuclear reactors, recognising that this early closure represented an exceptional financial burden for those Member States;

14. Underlines the strategic importance of large-scale infrastructure projects (such as ITER and GMES) for the future of the EU's competitiveness and the reinforcement of its industries; believes that their financing should be secured in the EU budget on the basis of a fully autonomous and comprehensive multiannual budget outside the MFF (above the MFF ceilings), while improvements to the governance of industrial projects should remain under EU treaty rules; highlights that if cost overruns arise in the course of implementation of any of these projects, they should be covered in a manner that does not threaten the funding and successful implementation of other Union policies or large-scale projects which contribute to achieving the goals of the EU 2020 strategy.

15. Believes that in the current context of public budgetary constraints, the leverage of other sources of funding is absolutely necessary in order to realise the long-term investments needed to achieve the EU 2020 strategy; strongly believes that EU added value accrues in particular through support for high-risk, high-cost and long-term programmes which are beyond the reach of individual Member States; calls, therefore, for EU actions to reduce investment risks in large-scale activities and to develop Europe-wide energy and ICT infrastructure investments, among other projects; welcomes, in this respect, the launching of the 2012-2013 pilot phase of the EU Project Bond initiative, and the Commission's proposal regarding the Connecting Europe Facility (CEF), as constituting the first steps in this direction; recommends that the Commission should monitor and review the cumulative impact of new or amended legislation on long-term private sector investment, and ensure that the issue of barriers to investment is urgently addressed; stresses the need for adequate funding to be provided for the CEF in order to ensure its implementation, inter alia with the aim of safeguarding Europe's energy supply and realising the EU's internal market, with diversification of various sources of supply, and contributing to sustainable development;

16. Believes, however, that a more thorough reflection is needed to improve support for long-term investment in the EU; underlines the need to develop and enhance risk-sharing financial instruments based on the EU budget, and through them to facilitate investment financing in priority sectors, encompassing a wider and more disparate range of projects and entailing different risks (a 'portfolio of projects' approach); is convinced that synergies and complementarities between EU and national schemes should be pursued in order to maximise the growth potential of such instruments; stresses that these instruments

must be backed up by clear and transparent criteria for project eligibility and selection;

17. Strongly emphasises that reinvestment of revenue (reflows) should be the principle governing all innovative financial instruments; underlines that this revolving principle not only entails savings for public finances, but also strengthens the leverage and multiplier effect of those instruments, thus, at the end of the day, helping secure a higher level of investment in the economy;

18. Emphasises that interoperability and synergies between cohesion policy and the specific programmes (e.g. Horizon 2020, COSME, CEF) must be enabled and promoted; is convinced that cumulative or combined funding should be encouraged in order to maximise the uptake of available EU funds in all Member States, and thereby their participation in all specific programmes, and to achieve more even economic development within the EU's territory as a whole;

19. Stresses in particular the need for further financing of the programme 'Erasmus for Young Entrepreneurs' under the MFF 2014-2020; observes that this programme aims to promote European enterprise, exchange of knowledge and best-practice models, and to build networks and partnerships for those purposes;

20. Stresses that any increase in the operational budget needs to be accompanied by a sufficient increase in the administrative budget, in order to ensure the successful delivery of the EU's programmes.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	24.9.2012
Result of final vote	+: 43 –: 4 0: 1
Members present for the final vote	Amelia Andersdotter, Josefa Andrés Barea, Jean-Pierre Audy, Ivo Belet, Bendt Bendtsen, Reinhard Bütikofer, Maria Da Graça Carvalho, Giles Chichester, Pilar del Castillo Vera, Vicky Ford, Robert Goebbels, Jacky Hénin, Edit Herczog, Kent Johansson, Romana Jordan, Philippe Lamberts, Judith A. Merkies, Angelika Niebler, Jaroslav Paška, Vittorio Prodi, Jens Rohde, Paul Rübig, Amalia Sartori, Salvador Sedó i Alabart, Francisco Sosa Wagner, Evžen Tošenovský, Ioannis A. Tsoukalas, Claude Turmes, Marita Ulvskog, Vladimir Urutchev, Kathleen Van Brempt
Substitute(s) present for the final vote	Daniel Caspary, António Fernando Correia de Campos, Ioan Enciu, Vicente Miguel Garcés Ramón, Elisabetta Gardini, Françoise Grossetête, Andrzej Grzyb, Cristina Gutiérrez-Cortines, Roger Helmer, Jolanta Emilia Hibner, Gunnar Hökmark, Eija-Riitta Korhola, Werner Langen, Pavel Poc, Vladimír Remek
Substitute(s) under Rule 187(2) present for the final vote	Jorgo Chatzimarkakis, Keith Taylor

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Cristian Silviu Buşoi

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Welcomes the proposed Multiannual Financial Framework 2014-2020 (MFF) and the correlation with the Europe 2020 Strategy objectives; stresses however that it still falls short of what the Parliament requested in its resolution of 8 June 2011[1]; points out that even with an increase in the level of resources for the next MFF of 5% compared to the 2013 level, only a limited contribution can be made to the achievement of the Union's agreed objectives and commitments and the principle of solidarity;

2. Points out that the MFF should provide the necessary financial means to implement the initiatives of the Single Market Act in order to make better use of the potential of the internal market in ensuring the future competitiveness and inclusive and sustainable economic growth of the EU;

3. Emphasizes that SMEs are the backbone of the European economy and that the MFF should provide strong support for an EU policy aiming at improving SMEs access to finance, enhancing their competitiveness and promoting entrepreneurship; strongly supports the proposed Programme for the Competitiveness of Enterprises and SMEs, but considers that the dedicated financial envelope should be further increased to 0.5% of the MFF;

[1] P7_TA(2011)0266.

6

4. Stresses the importance of the consumer policy for ensuring a high level of consumer protection in the EU and for empowering consumers in general; considers the proposed allocation for the Consumer Programme 2014-2020 insufficient for achieving these goals and calls for a 5% increase in its financial envelope;

5. Reiterates the need to ensure adequate funding for completion of the internal market, which serves some 500 million citizens, representing a credible solution for overcoming the economic and financial crisis which the EU is experiencing;

6. Warmly welcomes the proposed Connecting Europe Facility for financing major infrastructure projects to support the creation of the single energy market and of the digital single market while enhancing free movement of goods, services and people and ensuring stepped-up protection for consumers, who will thus be able to have access to a market which is more transparent and more competitive in terms of supply and prices; stresses that the financing needs in this area are tremendous and that it will be impossible for the proposed allocation to cover them; argues therefore that greater emphasis should be put on innovative financing mechanisms such as the EU project bonds.

7. Recalls research and innovation are indispensible for a strong and competitive single market; calls on the Council to consider this policy area as a priority in the next multiannual financial framework and to increase the financial allocation for the Horizon 2020 Programme up to 100 billion euros;

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	10.7.2012
Result of final vote	+: 30 –: 1 0: 1
Members present for the final vote	Pablo Arias Echeverría, Adam Bielan, Cristian Silviu Buşoi, Sergio Gaetano Cofferati, Birgit Collin-Langen, Lara Comi, Anna Maria Corazza Bildt, António Fernando Correia de Campos, Cornelis de Jong, Vicente Miguel Garcés Ramón, Evelyne Gebhardt, Louis Grech, Philippe Juvin, Sandra Kalniete, Edvard Kožušník, Toine Manders, Hans-Peter Mayer, Phil Prendergast, Mitro Repo, Robert Rochefort, Heide Rühle, Christel Schaldemose, Andreas Schwab, Catherine Stihler, Emilie Turunen, Barbara Weiler
Substitute(s) present for the final vote	Raffaele Baldassarre, Jürgen Creutzmann, María Irigoyen Pérez, Emma McClarkin, Sabine Verheyen, Anja Weisgerber

6 20.9.2012

OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Brian Simpson

SUGGESTIONS

The Committee on Transport and Tourism calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

A. whereas it has been demonstrated that the EUR 8 billion allocated towards the realisation of the trans-European transport network (TEN-T) for the 2007-2013 programming period is greatly insufficient and that additional resources are needed to complete the network and boost growth, job creation and competitiveness in the EU;

1. Highlights the paramount role of the EU transport sector as the backbone of the internal market and the basis for the free movement of people and goods as well as for economic, social and territorial cohesion; points out that the transport sector generates 6.3 % of the EU's GDP and provides employment for 13 million people;

2. Recalls the enormous financial and technological challenges facing the transport sector when it comes to improving its environmental performance, competitiveness and networks;

3. Underlines that major investments are needed in order to achieve the key EU target of a 60 % CO_2 reduction in the transport sector below 1990 levels by 2050 and to support more sustainable transport modes, foster multimodal transport and promote sustainable urban mobility, underpinned by transport security, safety and accessibility principles;

4. Highlights the inequalities that distinguish the development of transport infrastructure in the various Member States, and the importance of developing transport infrastructure in the new Member States, and calls on the Commission and the Member States to strive to create a single and uniformly developed European transport area;

5. Stresses that the overall envelope available for transport investments in the next Multiannual Financial Framework (MFF) will be critical for the implementation of the TEN-T, as well as for the transport research needed in order for the Union to remain the industrial leader in sustainable and innovative transport technology; calls, therefore, on the Member States to support the Commission's proposal;

6. Stresses that transport and mobility are of vital importance to the European internal market, and therefore insists that the Union should significantly increase rather than reduce targeted investments in TEN-T infrastructure and transport research, as such investments can significantly and directly contribute to overcoming difficult economic situations by boosting competitiveness, economic growth and employment in the EU;

7. Welcomes the Commission's proposal on the Connecting Europe Facility (CEF) and the proposed increase it entails for the centrally managed allocations to TEN-T, and considers that these amounts to be realistic figures and the bare minimum; considers that in order to induce a leverage effect expected in the area of transport, allocations should ideally represent at least 10 % of the estimated needs (EUR 500 billion for TEN-T until 2020), and that if the Council agrees to reduce significantly the financial envelope, a significant review of the list of the pre-identified transport projects mentioned in Annex of the CEF should also be carried out;

8. Insists that questions such as the distribution of the financial envelope of CEF among the various sectors, the volume used for financial instruments, or the modalities for the transfer from the Cohesion Fund for transport infrastructure under CEF, are not part of the MFF as they belong to the ordinary legislative procedure on the CEF;

9. Notes the Commission's intention to increase the use of innovative financial instruments, such as project bonds, in the transport sector; considers that these will give a lever effect to the EU budget, thereby attracting other investors to projects of common interest which are commercially viable but not receiving sufficient financing from the market; underlines that this could boost the funding of transport infrastructure with European added value;

10. Calls on the Commission to ensure coordination between the CEF and the other sources of financing available for the TEN-T, in particular the Cohesion Fund and the Horizon 2020 programme;

11. Stresses that the additional EUR 10 billion from the Cohesion Fund are to be centrally managed under the CEF in order to deliver clear EU-added value for transport infrastructure projects on TEN-T specifically in Cohesion countries; draws attention to a recent report by the European Court of Auditors[1], according to which funding from the Cohesion and Structural Funds is not always used equally effectively; takes the view that special attention should be awarded to the difficulties that some Member States might encounter as regards project engineering, and to the geographical balance in the spread of the projects; stresses that the Commission decision shall be based on the principle of investing money within the territory of a beneficial country along the agreed TEN-T project, as specified in Annex 1 of the CEF, and that in no circumstances shall the central

[1] European Court of Auditors, *Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment*, Special Report No 4/2012.

6

management of the additional EUR 10 billion from the Cohesion Fund prevent or limit the participation of cohesion countries in the implementation and financing of transport projects through the CEF, over and above the EUR 10 billion allocated from the Cohesion Fund;

12. Insists that the MFF 2014-2020 provide enhanced budgetary flexibility both within and across headings; stresses, therefore, the importance of keeping CEF and Cohesion policy under a joint heading, and opposes the concept of subheadings;

13. Points out the need for more effective project incentives such as the 'use it or lose it' principle, which insures better implementation of projects;

14. Stresses that there must remain a realistic link between the number of pre-identified projects in the annex of the proposed CEF regulation and the financial amounts for the CEF in the next MFF;

15. Stresses that in line with meeting the EU's sustainable growth objectives, adequate funding must be guaranteed for the horizontal priorities within the CEF, namely for the European Rail Traffic Management System (ERTMS) and the Single European Sky Air Traffic Management (ATM) Research (SESAR) project, for which continued investment is crucial to promote interoperability, making the EU transport network more efficient, competitive and safe;

16. Emphasises the importance of the provision of funding for major technological development programmes – the Global Monitoring for Environment and Security (GMES) initiative, the European Geostationary Navigation Overlay Service (EGNOS), the Galileo global navigation satellite system (GNSS), etc. – as a whole, and stresses the need for the GMES initiative to continue to be funded under the MFF, in view of its contribution to sustainable development and security in the transport sector;

17. Recalls the major strategic importance of the Galileo project for the EU, from which GNSS technology and the practical implementation of ITS applications are major beneficiaries; insists that the proper financing of Galileo must be ensured without coming at the expense of the TEN-T budget;

18. Recognises the fact that the Cohesion Fund and the European Regional Development Fund (ERDF) are major sources of EU transport funding; stresses, in view of this, the importance of ensuring a better integration of the EU 2020 targets into the EU's structural funds, so that they are geared towards smart and sustainable mobility;

19. Points out the success of the Marco Polo programme which, in line with the transition to a low-carbon economy, aims to transfer freight off the roads and onto other modes of transport, and of the NAIADES programme, the Integrated European Action Programme for inland waterway transport, and believes that these projects should have adequate funding available in the next financial period;

20. Recalls that tourism is a new Union competence under the Lisbon Treaty, and points out that tourism should therefore also be reflected in the next MFF; stresses the important contribution that tourism makes to the Union economy, and the fact that it constitutes the

main economic activity in some regions, and believes that the European strategy for tourism should be supported with adequate funding for the next period;

21. Welcomes, in this regard, the Commission proposal establishing a programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) (2014-2020); stresses in particular that strong support should be given for the specific allocations of EUR 131 million for the competitiveness of enterprises in the tourism sector;

22. Recalls that the Integrated Maritime Policy should be taken into account in the next MFF by means of an adequate and long-term instrument for financial support of the IMP;

23. Underscores both the crucial work of the transport agencies in supporting EU safety and interoperability objectives and the need to match their responsibilities with adequate budgetary resources.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.9.2012
Result of final vote	+: 37 –: 1 0: 5
Members present for the final vote	Magdi Cristiano Allam, Inés Ayala Sender, Georges Bach, Erik Bánki, Izaskun Bilbao Barandica, Philip Bradbourn, Antonio Cancian, Michael Cramer, Joseph Cuschieri, Philippe De Backer, Luis de Grandes Pascual, Christine De Veyrac, Saïd El Khadraoui, Ismail Ertug, Carlo Fidanza, Knut Fleckenstein, Jacqueline Foster, Mathieu Grosch, Jim Higgins, Dieter-Lebrecht Koch, Georgios Koumoutsakos, Werner Kuhn, Jörg Leichtfried, Marian-Jean Marinescu, Gesine Meissner, Mike Nattrass, Hubert Pirker, Dominique Riquet, Vilja Savisaar-Toomast, Olga Sehnalová, Brian Simpson, Keith Taylor, Silvia-Adriana Ţicău, Giommaria Uggias, Dominique Vlasto, Artur Zasada, Roberts Zīle
Substitute(s) present for the final vote	Spyros Danellis, Zita Gurmai, Anna Rosbach, Sabine Wils, Janusz Władysław Zemke
Substitute(s) under Rule 187(2) present for the final vote	Isabella Lövin

27.9.2012

6

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Andrey Kovatchev

SUGGESTIONS

The Committee on Regional Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

– having regard to Article 312(2) of the Treaty on the Functioning of the European Union (TFEU), which stipulates that the Council shall unanimously adopt a regulation laying down the multiannual financial framework (MFF) after the European Parliament has given its consent by absolute majority,

– having regard to Article 312(3) TFEU, which clearly states that the MFF shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations, which requires that the Parliament and the Council stick to their treaty-based roles in the negotiations on the MFF and leave the design of the Cohesion Policy to be agreed upon under the ordinary legislative procedure as provided for in Article 177 TFEU,

A. whereas in its resolution of 13 June 2012 on the Multiannual Financial Framework and own resources, it stressed that the EU budget, specifically as regards Cohesion policy expenditure, represents a strong tool to increase strategic investment with proven added value and put the European economy back on a growth and competitiveness track by creating jobs and wealth for EU citizens and thus improving their quality of life;

B. whereas the MFF for 2014-2020 is to be viewed as the main EU instrument to deliver the EU2020 goals on the whole EU territory as well as to achieve economic, social and territorial cohesion; whereas it should also aim at translating the EU objectives agreed by the heads of states and governments into real and concrete actions, which makes its necessary that the current negotiations escape from the crisis-focused mentality and strive

6 for a sound and rational budget that will guarantee growth and employment, and, ultimately, high living standard and security for the citizens of the EU;

C. whereas as a mechanism contributing to the proper involvement of all EU regions within the single market, and as the EU's main response to the persisting economic, social and territorial disparities among its regions, the EU Cohesion Policy should remain the main pillar of European solidarity;

D. whereas, however, the Cohesion Policy needs to be reformed in order to become more result-oriented, thematically concentrated and beneficiary-friendly, and, hence, more efficient in terms of the investments made;

E. whereas the Cohesion Policy should give fair access to resources, and respond to the real development needs of all EU regions, which require also flexibility to address the regions' specific needs in setting out objectives and investment priorities, notwithstanding the need to invest in, e.g., R&D and innovation, as a key tools contributing to the accomplishment of the EU2020 Strategy, which is to be connected, in an appropriate manner, to the Cohesion Policy through a "stairway to excellence";

F. whereas it is self-evident that the Cohesion Policy can be useful and effective only if it relies on a stable, solid and sustainable financial framework; whereas it has, in this regard, in its resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe, confirmed its commitment to defend a stronger EU Cohesion Policy, insisting on an adequate level of resources to be allocated, of at least the same level as that agreed for the current programming period 2007-2013;

G. whereas the EU Cohesion Policy is a development policy and a strategic tool for investment, growth and competitiveness, with an undisputed EU value, contributing to growth and job creation throughout the Union, and assisting in overcoming the current economic and financial crisis by decisively contributing to, among other things, various national recovery programs and by seeking to promote innovation while eliminating disparities between European regions;

H. whereas there is no direct relation between the regional policy performance and the macro-economic performance of a Member State, and whereas the regions should not be punished for failures at national level to comply with procedures related to economic governance; whereas imposing additional penalties could thus exacerbate problems of countries already facing macroeconomic troubles, and, therefore, macroeconomic conditionalities in terms of Cohesion Policy funding are not acceptable;

I. whereas it regrets the Commission's proposal to reduce by 47 % the specific additional allocation for the outermost and least populated regions, and believes that the same amount of financial resources should be allocated as was done under the previous programming period;

J. whereas both beneficiaries and net contributors benefit from the EU Cohesion Policy;

6

K. whereas the Cohesion Policy provides support for measures to align economic and social conditions in all EU regions, new thematic funds, if established, should not undermine national financial envelopes, as this would negatively affect the outputs and results of the Cohesion Policy in individual Member States;

i. Underlines that the position of the European Parliament is that Cohesion Policy funding should be maintained at least at the level of the 2007-2013 period, namely EUR 354 815 billion in 2011 prices (excluding the Connecting Europe Facility), which is the absolute minimum level of sound funding and, therefore, constitutes a red line in its future negotiating position;

ii. Recalls that all matters related to the design of the Cohesion Policy must be dealt with in the framework of the ongoing ordinary legislative procedures on the legislative package for 2014-2020, and that the MFF Regulation should exclusively deal with the amounts and categories of expenditure;

iii. Recalls that Article 312(5) TFEU requires that Parliament, the Council and the Commission take any measure necessary to facilitate the adoption of the financial framework throughout the applicable procedure, and that for that purpose the Council should ensure that Parliament is informed beforehand on the legal instrument it intends to submit to it for consent.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.9.2012
Result of final vote	+: 38 –: 2 0: 1
Members present for the final vote	François Alfonsi, Luís Paulo Alves, Charalampos Angourakis, Victor Boştinaru, John Bufton, Alain Cadec, Ryszard Czarnecki, Francesco De Angelis, Rosa Estaràs Ferragut, Brice Hortefeux, Danuta Maria Hübner, Filiz Hakaeva Hyusmenova, María Irigoyen Pérez, Seán Kelly, Mojca Kleva, Constanze Angela Krehl, Petru Constantin Luhan, Elżbieta Katarzyna Łukacijewska, Ramona Nicole Mănescu, Riikka Manner, Iosif Matula, Erminia Mazzoni, Ana Miranda, Jens Nilsson, Lambert van Nistelrooij, Jan Olbrycht, Wojciech Michał Olejniczak, Younous Omarjee, Markus Pieper, Tomasz Piotr Poręba, Ewald Stadler, Georgios Stavrakakis, Csanád Szegedi, Nuno Teixeira, Oldřich Vlasák, Joachim Zeller
Substitute(s) present for the final vote	Ivars Godmanis, Karin Kadenbach, Andrey Kovatchev, Marie-Thérèse Sanchez-Schmid, Derek Vaughan

18.9.2012

6

OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Paolo De Castro

SHORT JUSTIFICATION

The ongoing discussions about the future MFF are of crucial importance for the CAP and the decisions to be taken on the legislative reform proposals.

The discussions in the European Council and the General Affairs Council on the 'Negotiating Box' do not yet, at this point in time, reveal concrete positions or even figures for the future MFF. However, the opinion of the Committee on Agriculture and Rural Development offers an opportunity to highlight its position to the Budget Committee, especially with respect to the current figures for the future MFF.

The starting point for this opinion is the position expressed by Parliament in its resolutions of 8 June 2011 (the SURE report) and of 23 June 2011 (the Dess report). On both occasions, Parliament clearly requested that the budget for the CAP be maintained at least at the same level as in the current multiannual period.

Analysis of the Commission proposals

When the Commission presented the proposals for the MFF 2014-2020 on 29 June 2011, the proposal for the CAP budget was often referred to as a freeze in real terms. However, a closer analysis of the figures is worthwhile.

Financial framework 2014-2020
(Commission proposal)

(EUR million – 2011 prices)

Commitment appropriations	2014	2015	2016	2017	2018	2019	2020	Total 2014-

6

								2020
2. Sustainable Growth: Natural Resources	57 386	56 527	55 702	54 861	53 837	52 829	51 784	382 927
of which: Market-related expenditure and direct payments	42 244	41 623	41 029	40 420	39 618	38 831	38 060	281 825

Source: COM(2011)0398

The figures presented by the Commission are indicated in constant 2011 prices. Similarly, the current MFF 2007-2013 was expressed, at the time of its adoption in 2006, in 2004 prices. By using a deflator of 2 % per annum, these figures can be transformed into 'current prices' (which is the way they are usually presented; see http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm).

By using the same deflator of 2 % per annum, these updated figures from the MFF 2007-2013 can also be expressed in 2011 constant prices:

Financial framework 2007-2013 (adjusted in accordance with the various revisions) (EUR million – 2011 prices)								
Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
2. Preservation and Management of Natural Resources	59 689	62 816	58 609	61 154	59 888	59 618	58 909	420 682
of which: Market-related expenditure and direct payments	49 531	49 046	48 565	48 089	47 616	47 150	46 688	336 685

Source: Compendium of technical sheets, Policy Department D, DG IPOL

Comparing the overall amount for Heading 2 in each table leads to an overall reduction of: EUR 420 682 million - EUR 382 927 million = EUR 37 755 million (9 %).

NB: The original 2006 agreement (EUR 371 344 million in 2004 prices), without taking into account the various revisions thereof (food facility, Galileo, ITER, etc.), would represent an amount of EUR 426 558 million in 2011 prices for Heading 2; taking this figure as a baseline, the Commission proposal for the MFF 2014-2020 would correspond to a budget cut of approximately 10.3 %.

Conclusions suggested by the rapporteur

In line with the position expressed by Parliament in its earlier resolutions, the budget for the CAP should at least be maintained at the same level as in 2007-2013. Accordingly, the cuts proposed by the Commission should be rejected and Parliament should call for an amount corresponding to the ceilings for the current programming period.

Against the background of budgetary constraints both in the Member States and in respect of the EU budget, it is essential to give Member States the flexibility to move funds between the two pillars of the CAP (direct payments and rural development) so that they can address the challenges facing their rural areas in the most appropriate way.

6

SUGGESTIONS

The Committee on Agriculture and Rural Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Underlines the importance of the Common Agricultural Policy with regard to guaranteeing food supply for its citizens in accordance with the Treaties; notes that demand for food is growing faster than supply, the effects of climate change being felt particularly intensely in agriculture; insists that Europe, as the biggest importer of agricultural products, needs to maintain and increase its agricultural potential and the efficiency of its agri-food sector in order to tackle current and future demand for food in the EU;

2. Takes the view that agreement should be reached on the MFF 2014-2020 before the end of 2012, as otherwise the EU could well face a loss of credibility and stability;

3. Reiterates that, according to the TFEU, Parliament and the Council are the legislative bodies and there is no role for the European Council to act as a legislator; insists that the policy content of the future CAP be laid down by the ordinary legislative procedure;

4. Recalls its position, as laid down in its resolutions of 8 June 2011 on 'investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe'[1] and of 23 June 2011 on 'the CAP towards 2020: meeting the food, natural resources and territorial challenges of the future'[2], that the budget for the CAP in the next MFF period should be maintained at least at the same level, in real terms, as in the current multiannual period;

5. Notes with concern that the Commission proposal for the future MFF, setting an overall ceiling of EUR 382 927 million[3] for Heading 2 and a sub-ceiling of EUR 281 825 million for direct payments and market-related expenditure, would lead to a reduction of EUR 37 755 million in real terms for this heading;

6. Considers that these cuts cannot be counterbalanced by expenditure provided for under other headings (food aid for the most deprived persons, agricultural research, food safety reserve, etc.) or by flexibility instruments for unforeseeable expenditure (reserve for agricultural crises, etc.), as these are budgetary reserves which do not contain commitment appropriations;

7. Considers that the European Globalisation Adjustment Fund (EGF) should not be counted towards the CAP budget, as its inclusion therein is misleading: firstly, it is not clear whether – or how – farmers in different Member States will even be able to access the funds, and, secondly, the inclusion of the EGF presupposes that many thousands of farmers will continue to go bankrupt as a result of international trade agreements; further

[1] Texts adopted, P7_TA(2011)0266.
[2] Texts adopted, P7_TA(2011)0297.
[3] All figures for commitment appropriations for the 2014-2020 period are expressed in constant 2011 prices.

considers that, in view of its role in food security and in particular of the human right to food, agriculture should not be used as a bargaining chip in international trade deals;

8. Stresses the important role played by the second pillar of the CAP, which makes a significant contribution to investment and job creation in rural areas and to enhancing the effectiveness and competitiveness of the farming industry; believes that it would be consistent with the achievements of previous CAP reforms to strengthen the second pillar, which would make the CAP significantly more efficient and effective, particularly in the light of the new challenges referred to, inter alia, in the Europe 2020 strategy;

9 Calls, therefore, on the Council to increase Heading 2 and the subheading for direct payments and market-related expenditure to EUR 420 682 million and EUR 336 685 million respectively, corresponding to a freeze in real terms, as requested in its earlier resolutions;

10. Stresses that agricultural policy is the only Union policy which has been subject to such significant cuts in the Commission proposal for the future MFF; insists, therefore, that, should overall reductions in the EU budget be envisaged, they should under no circumstances lead to a further reduction in the CAP budget;

11. Stresses that the transition to a regional model and to further greening of the CAP in the next multiannual period will have a severe impact on farmers, and that extra cuts in the overall CAP budget would consequently put even more pressure on the position of individual farmers;

12. Underlines the importance of granting some flexibility to Member States to move funds between the two pillars of the CAP (provided that they take into account existing co-financing requirements when moving funds from the first to the second pillar), in order to address the challenges facing rural areas in a way adapted to their specific circumstances and their own strategies, without prejudice to the ongoing legislative procedures concerning the CAP reform, especially the provisions on transfers between funds in the future regulation on direct payments;

13. Believes that the programme of assistance to the most deprived persons in the Union should continue after 2013.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.9.2012
Result of final vote	+: 32 –: 4 0: 3
Members present for the final vote	John Stuart Agnew, Eric Andrieu, Pilar Ayuso, José Bové, Luis Manuel Capoulas Santos, Vasilica Viorica Dăncilă, Michel Dantin, Paolo De Castro, Albert Deß, Diane Dodds, Herbert Dorfmann, Hynek Fajmon, Mariya Gabriel, Iratxe García Pérez, Julie Girling, Béla Glattfelder, Martin Häusling, Esther Herranz García, Elisabeth Jeggle, Elisabeth Köstinger, Agnès Le Brun, George Lyon, Gabriel Mato Adrover, Mairead McGuinness, James Nicholson, Rareş-Lucian Niculescu, Wojciech Michał Olejniczak, Georgios Papastamkos, Marit Paulsen, Britta Reimers, Ulrike Rodust, Alfreds Rubiks, Giancarlo Scottà, Czesław Adam Siekierski, Sergio Paolo Francesco Silvestris, Alyn Smith, Csaba Sándor Tabajdi, Janusz Wojciechowski
Substitute(s) present for the final vote	Maria do Céu Patrão Neves

OPINION OF THE COMMITTEE ON FISHERIES

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: João Ferreira

SUGGESTIONS

The Committee on Fisheries calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

General assessment

A. Highlights the small scale of the proposed MFF 2014-2020, which in fact represents a reduction in relative terms by comparison with the current MFF 2007-2013; takes the view that the crisis cannot serve as an argument for reducing the EU budget but that, on the contrary, it strengthens the need for a robust, substantially increased budget that will make it possible to achieve the political objectives of the EU, namely supporting economic growth and employment and putting the principle of economic and social cohesion into action within the framework of the EU 2020 strategy; argues, therefore, that the proposal for the MFF 2014–2020 submitted by the Commission should be amended by the Council in this regard;

General issues relating to the fisheries sector

B. Points out that fisheries resources constitute a public good vital for global food security; points to the fact that the fisheries and aquaculture sector and related activities are often the main source of livelihood and sustainable employment in coastal, island and remote regions; stresses that the reformed common fisheries policy (CFP) should pursue social, economic and environmental objectives that will entail the proper conservation and management of fishery resources and the reversal of the economic and social decline affecting countless coastal communities, providing a boost to employment and improving the living conditions for local people, paying particular attention to the small-scale fisheries sector, which will require adequate financial resources after 2013; recognises the need for greater coordination with cohesion policy;

6

C. Notes that the proposed multiannual financial framework 2014–2020 contained in the Commission communication 'A budget for Europe 2020' makes provision for an overall indicative allocation of EUR 6.685 billion for fisheries and maritime affairs in 2011 constant prices (EMFF, including market measures + FPAs + RFMOs), representing an annual average of EUR 955 million; states that for 2013, the last year of the current MFF, that allocation is EUR 984 million. stresses with concern that the sums set aside for each of the years covered by the MFF 2014-2020 fall below the amount set aside for 2013 under the current MFF; reiterates that Parliament called in its resolution of 8 June 2011[1] on 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe' for a global level of resources for the next MFF of at least 5 % extra compared to the 2013 level;

D. Points out that some of the policy objectives proposed by the Commission require increased financial resources, a lack of which will compromise their achievement; points out that the Commission's objectives consist in particular in closing the innovation gap between fisheries and other sectors of the economy, facilitating the transition towards low impact fisheries, with the elimination of discards and low impact on marine ecosystems, and ensuring the viability of communities dependent on inshore fishing and diversification;

E. Stresses that, like the farming sector, the fisheries sector is also highly vulnerable to crises; therefore advocates the creation of specific support mechanisms, along the same lines as those provided for the farming sector, to be implemented in emergencies such as natural disasters, fishing stoppages imposed by plans for restoring stocks or sudden restrictions affecting access to essential production factors, inter alia;

F. Reaffirms that the lack of regularity associated with fishing, resulting from a range of factors including evident natural constraints, makes it necessary to maintain adequate public, national and Community funding for the sector;

Issues relating to the structural funds, including the European Maritime and Fisheries Fund (EMFF)

G. Takes the view that the future common strategic framework that is to apply to funds under shared management, including the future European Maritime and Fisheries Fund (EMFF), should take into account the diversity of the objectives of these financial instruments; recalls that the EMFF is a sectoral support fund, the allocation of which should not depend in any way on the economic status of the geographical area in which the beneficiary operates;

H. Rejects the possible introduction and/or reinforcement of macroeconomic conditionality rules in connection with the use of European funds; takes the view that those countries facing the greatest financial difficulties and with the most fragile economies should not be doubly penalised, in the form of restricted access to funds that are essential for their recovery and development, which would call the cohesion principle into question;

I. Highlights the importance of the EMFF in the 2014-2020 period, as it will be the main

[1] P7_TA(2011)0266.

instrument for financing the future CFP; stresses that new policies, objectives or priorities that will have an impact on the marine environment must be matched by adequate financial resources; rejects the idea that new priorities, objectives and policies – such as the integrated maritime policy – should be financed at the expense of the appropriations required by the fisheries policy;

J. Is in favour of simplifying access to funds under shared management, including the EMFF, making life easier for beneficiaries and the competent national authorities and encouraging the full utilisation of the appropriations available; takes the view that priority should be given to projects with integrated solutions that will benefit coastal communities as a whole, on as wide a base as possible, over those that benefit only a small number of operators;

K. Expresses its concern at the possible dismantling of the existing public instruments for regulating the markets in fishery and aquaculture products; calls for an increased contribution from the common organisation of the markets in fishery and aquaculture products (COM), so as to guarantee improved incomes in the sector, market stability, the improved marketing of fisheries products and an increase in their added value, meaning that the COM will need to be provided with the necessary financial resources;

L. Advocates the linking up of existing instruments, particularly at the financial level, so as to respond to the specific problems of this segment and of the coastal communities most heavily dependent on it; Stresses that scientific fisheries research represents a crucial tool for correct management in the sector, which is indispensable in order to identify the factors that determine the development of fishery resources, carry out quantitative assessments and develop models that will make it possible to predict their future development, as well as to improve fishing gear, vessels and fishermen's working and safety conditions; therefore advocates increased funding for fisheries research – in the environmental, social and economic fields;

N. Considers it vital to improve the collection, processing and availability of biological data so as to guarantee genuinely knowledge-based policy and management; considers it necessary, in this light, to increase EU co-financing in this area, raising the maximum permissible co-financing rate from the present 50% to at least 75%;

O. Takes the view that biological rest periods are an important method of conserving fish stocks which has proved effective, and an essential instrument for the sustainable management of certain fisheries; recognises that the introduction of biological rest periods at certain critical stages in the life cycle of species allows stocks to grow at a rate compatible with maintaining fishing activity outside the rest periods; calls, in these circumstances, for provision to be made for the possibility of granting fishermen financial compensation during these periods of inactivity;

P. Points out that the current situation with regard to the development of aquaculture in Europe makes it necessary to step up R&D activities in this area, so that the great potential offered by the sector can be fully exploited and at the same time some of its constraints can be removed, thereby helping to make it more sustainable;

Outermost regions

6 Q. Points out that the fishing industry plays an important part in the socio-economic situation, in employment and in promoting economic and social cohesion in the outermost regions (ORs), whose economies suffer from permanent structural constraints and limited possibilities for economic diversification; believes that Community support for the fishing industries in the ORs should be maintained and increased, notably through the programme compensating for the additional costs incurred in the marketing of certain fishery products from a number of ORs as a result of those regions' remoteness ('POSEI - Fisheries'); in this connection, believes that this programme should continue in force indefinitely, since outermost status is a permanent factor; deplores the sharp cut in overall financing for these regions in the proposed MFF 2014–2020, at a time when the number of ORs recognised by the EU is set to rise in the coming years, and calls for these appropriations to be increased substantially;

Draft interinstitutional agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management

R. Calls for the interinstitutional agreement to make provision for the European Parliament to be fully involved in the process of negotiating international fisheries agreements; demands that representatives of the European Parliament should be able to take part in all stages of the negotiations, with observer status and on an equal footing with Member State representatives, taking account of Parliament's powers in the field of fisheries agreements;

Issues relating to the external dimension of the common fisheries policy

S. Expresses its concern at the relative ineffectiveness of fisheries partnership agreements in relation to supporting the sector in third countries; points out that, according to assessments carried out by the Commission, the appropriations allocated to sectoral support are too limited, in absolute terms, to yield any results; takes the view, therefore, that steps need to be taken to reverse this situation and at the same time to make sectoral support more effective, and to help improve the take-up of these appropriations by the third countries concerned.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	11.7.2012
Result of final vote	+: 23 –: 0 0: 0
Members present for the final vote	Antonello Antinoro, Kriton Arsenis, Alain Cadec, Chris Davies, João Ferreira, Carmen Fraga Estévez, Pat the Cope Gallagher, Dolores García-Hierro Caraballo, Marek Józef Gróbarczyk, Ian Hudghton, Iliana Malinova Iotova, Werner Kuhn, Isabella Lövin, Gabriel Mato Adrover, Guido Milana, Maria do Céu Patrão Neves, Crescenzio Rivellini, Ulrike Rodust, Raül Romeva i Rueda, Struan Stevenson, Isabelle Thomas, Nils Torvalds, Jarosław Leszek Wałęsa
Substitute(s) present for the final vote	Jean-Paul Besset, Izaskun Bilbao Barandica, Diane Dodds, Barbara Matera, Nikolaos Salavrakos

24.9.2012

OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014–2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Morten Løkkegaard

SUGGESTIONS

The Committee on Culture and Education calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

– having regard to the proposal for a Council regulation laying down the multiannual financial framework for the years 2014–2020 (COM(2011)0398, COM(2012)0388),

– having regard to the proposal for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management (COM(2011)0403),

– having regard to the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled 'A Budget For Europe 2020' (COM(2011)0500),

– having regard to its resolution of 8 June 2011 entitled 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe' (2010/2211(INI))[1],

– having regard to the proposal for a regulation of the European Parliament and of the Council establishing 'Erasmus For All' – the Union Programme for Education, Training, Youth and Sport (COM(2011)0788),

– having regard to the proposal for a regulation of the European Parliament and of the Council on establishing the Creative Europe Programme (COM(2011)0785),

[1] Texts adopted, P7_TA(2011)0266.

6

– having regard to the proposal for a Council regulation establishing for the period 2014–2020 the programme 'Europe for Citizens' (COM(2011)0884),

– having regard to the opinion of the Committee on Legal Affairs of 28 March 2012 on the legal basis of the proposal for a Council regulation establishing for the period 2014–2020 the programme 'Europe for Citizens',

– having regard to the joint declaration of the European Parliament, the Council and the Commission of 22 October 2008 entitled 'Communicating Europe in Partnership'[1],

– having regard to the strategy paper entitled 'Communicating on Europe, for Europe and by Europe'[2],

– having regard to its resolution of 10 April 2008 on a European agenda for culture in a globalising world (2007/2211(INI))[3],

A. whereas education, training and youth matters are crucial components of the Europe 2020 strategy and of its headline target of reducing the proportion of early school leavers to less than 10 % and increasing the proportion of young people having a degree or diploma to at least 40 %;

B. whereas learning mobility in the field of education, training and youth contributes to personal development and to acquiring skills that are necessary on the EU job market; whereas it also contributes to creating and safeguarding jobs and reducing poverty, and has a direct impact in terms of both Europe's short-term economic recovery and its longer-term growth and productivity;

C. whereas the exchanges facilitated by learning mobility in the field of education, training and youth help to develop citizens' active participation in European integration and cohesion;

D. whereas in 2009 the European ministers responsible for higher education set the goal that in 2020 at least 20 % of those graduating in the European Higher Education Area should have had a study or training period abroad;

E. whereas the European cultural and creative industries contribute greatly to the dissemination of cultural and linguistic diversity, to the creation and safeguarding of jobs and, more generally, to Europe's economic and social wellbeing, with, therefore, a positive spillover effect on other sectors of the economy such as tourism and digital technologies;

F. whereas businesses in the cultural and creative sector play a vital role in innovation in relation to scientific, technological and territorial development and thereby help Europe attain its growth objectives;

[1] OJ C 13, 20.1.2009, p. 3.
[2] Commission DG Communication, June 2012.
[3] OJ C 247 E, 15.10.2009, p.32.

G. whereas the audiovisual sector has an essential economic, social and political role, for example in creating highly skilled future-oriented jobs, as well as protecting and continuing to promote media pluralism and freedom;

H. whereas according to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions adopted on 20 October 2005, cultural activities, goods and services have both an economic and a cultural nature, because they convey identities, values and meanings, and must therefore not be treated as solely having commercial value;

I. whereas European culture is of great diversity and quality and should be integrated more in Europe's diplomatic efforts;

J. whereas accessible and quality education and culture represent a key tool for furthering European citizenship and tackling widespread political extremism throughout Europe;

K. whereas enhancing citizen participation is of primary importance to the European Union, and therefore having a separate citizenship programme is necessary;

L. whereas an EU communication strategy is essential in order to create better links between the Union and its citizens; whereas social media and the internet are ever-increasingly used by European citizens and form an opportunity to connect with politicians and policymakers in an interactive and collaborative manner;

M. whereas grassroots sport is of crucial importance in promoting health-enhancing physical activity and social inclusion;

Recommendations

Current programmes

(i) Recalls that the current EU education, youth, media and culture programmes are close to the citizens, enjoy high implementation rates, produce noticeable leverage and spillover effects, including significant economic results, and generate clear and demonstrated European added value by encouraging mobility, pooling resources and enhancing cooperation among different sectors and stakeholders;

(ii) Points out that these programmes also play an important role in steering national policies in the directions agreed at Community and intergovernmental level;

(iii) Notes that the current Lifelong Learning Programme contributes greatly to the individual development of European citizens by organising mobility schemes at EU level and thus maximising synergies; recalls that the programme also plays an important role in coordinating and modernising national education and training policies and the relevant institutions within Member States;

(iv) Recalls that an increasing number of successful online distance learning initiatives exist worldwide; calls for the inclusion of investment in online distance learning

6

initiatives and e-skills education;

(v) Stresses that the Youth in Action programme reinforces the renewed EU Youth Strategy (2010–2018) and contributes to empowering youth participation at all levels, by promoting social inclusion through non-formal and informal learning and through actions geared to the voluntary sector, and by supporting the development of youth policies at EU and national level;

(vi) Recalls that both the MEDIA and MEDIA Mundus programmes contribute to supporting and strengthening the European film and audiovisual production sectors and cooperation in that field between the EU and third countries, as well as to enhancing the competitiveness of the European audiovisual sector; stresses that these programmes create significant European added value by supporting the distribution of European audiovisual works and increasing their circulation and viewership inside and outside the EU;

(vii) Stresses that the MEDIA programme aims to preserve and enhance Europe's cultural and linguistic diversity and its cinematographic and audiovisual heritage, by guaranteeing the latter's accessibility to the public;

(viii) Recalls that the Culture 2007 programme has significant economic spillover effects and plays a unique role in supporting cooperation in the cultural sphere and fostering Europe's cultural and linguistic diversity;

(ix) Stresses that cooperation in the cultural and educational sphere within the EU's diplomatic efforts will also have significant economic and other positive spillover effects;

(x) Recalls that the current Europe for Citizens programme involves more than one million citizens per year in its projects and contributes greatly to the development of active citizenship and voluntary work, as well as to raising public awareness of European values such as solidarity, non-discrimination and cultural diversity; notes that the proposed new programme creates added value by bringing the Union closer to its citizens and creating cross-border debate;

Commission proposal on 'Erasmus For All'

(xi) Notes that the Commission proposal merges the existing Lifelong Learning and Youth in Action programmes, and also includes a separate chapter for sport, in line with the Union's new responsibilities in this area; considers the proposed financial envelope of EUR 17 299 000 000 as the absolute minimum, given the ambitions and scope of the new programme; also stresses that the very limited amount foreseen for all the sectors involved, in particular sport, cannot be cut without jeopardising the efficiency of the policies;

(xii) Notes that the Commission proposal does not cover all the target beneficiaries and actions included under the current programmes: for example, there would no longer be a separate budget allocation for adult mobility; also notes, with regard to higher education, that the Commission's plan to exclude Erasmus Mundus doctoral students

from the scope of the Erasmus For All programme and transfer the funding to support their mobility to the Horizon 2020 programme needs to be very closely monitored, as this plan could weaken the link between research and higher education (the necessity for which is continually restated by the Bologna Process) and jeopardise the establishment strategies facilitated over the last three years by the existing Erasmus Mundus programme, and could also fail to take account of the educational aspect of Erasmus Mundus doctorates, thus restricting them to applied research;

(xiii) Recommends strongly that the allocations for each educational sector, i.e. school education, vocational education and training, higher education and adult learning, as well as for youth as described in the explanatory statement of the proposal, be incorporated in the legal basis, in order to make them legally binding and subject to the decision of the budgetary authority; is concerned at the fact that the proposed minimum allocations amount only to 56 % of the total budget; stresses the need for a higher figure in order to secure reliable funding for the different sectors; also recommends providing for a mid-term review of the allocations by Parliament on the basis of the Commission's evaluation report;

(xiv) Points out the current alarming level of youth unemployment, and notes with concern that youth policy is not sufficiently visible in the Commission proposal; stresses the need to create a separate chapter and a separate budget line for youth-oriented activities;

(xv) Notes the inclusion in the proposal of an Erasmus For All programme to finance mobility at master's level; stresses that this should not replace the grant systems already in place, and emphasises the importance of introducing income-contingent thresholds in order to make it socially sustainable, especially in times of crisis;

(xvi) Points out the need to include a strong commitment towards social inclusion by ensuring equal access to learning mobility throughout education and training and at all levels; in this regard, notes the importance of ensuring participation in opportunities that is tailored to each individual, especially for lower-income students;

(xvii) Notes that the European Youth Guarantee, with the appropriate support, could generate relevant economic results beyond the 2014 timeframe;

(xviii) Notes that the EU sport programme can build on the experience of the preparatory actions in developing the EU dimension in sport, as foreseen in Article 165 of the Treaty of Lisbon, specifically with regard to social inclusion;

Commission proposal on 'Creative Europe'

(xix) Notes the Commission's intention to merge the existing programmes MEDIA, MEDIA Mundus and Culture 2007; stresses, however, that merging these programmes could undermine the success currently being achieved in the fields concerned; points out that for the sake of transparency and visibility, it is crucial to create separate budget allocations and separate budget lines for MEDIA, Culture and the cross-sectoral strands;

6

(xx) Notes that the Commission envisages a budget of EUR 1 801 000 000; considers this to be the absolute minimum if the full functioning of the proposed new multiannual programme is to be ensured; stresses that the very limited resources provided for Culture and MEDIA cannot be further reduced without jeopardising their effectiveness;

(xxi) Points out that the indicative allocations foreseen for MEDIA, Culture and the cross-sectoral strands are not set out in the legal basis but only in the explanatory memorandum of the proposal; stresses that a clear breakdown between the strands must be incorporated in the legal basis in order to make it legally binding and subject to the decision of the budgetary authority;

(xxii) Stresses that the current lack, or marginal nature, of investment in the cultural sector under many EU programmes and budget headings makes it necessary to avoid squandering the cultural sector's potential to drive innovation and thereby missing an opportunity to promote smart, sustainable and inclusive growth;

(xxiii) Asserts that the actions launched by the Creative Europe programme should pursue objectives and results which take account not only of economic factors but also of social and cultural considerations, in keeping with the dual nature of this sector;

(xxiv) Welcomes the idea of a financial instrument to tackle the problem of the difficulties operators in the cultural and creative sector have in obtaining credit, and recommends that the guarantees offered to financial intermediaries via that instrument be provided on the basis of pre-arranged, balanced portfolios and ensure equal access for all Member States and all types of operator, whether for-profit or not-for-profit, as well as transparent and supervised management;

Commission proposal on 'Europe for Citizens'

(xxv) Notes that the proposed financial envelope for the implementation of this programme amounts to EUR 229 000 000, representing only a very limited increase in comparison with the budget of the existing programme; stresses that this amount is an absolute minimum if the full functioning of the proposed programme is to be ensured;

(xxvi) Notes with concern that the indicative allocations for each strand are not set out in the proposal or its annexes; stresses that these allocations need to be incorporated in the legal basis in order to make them subject to the decision of the budgetary authority;

(xxvii) Stresses that the financial envelope for the new programme should be equally available to all participating groups;

(xxviii) Strongly recommends giving budgetary priority to easily accessible and small-scale projects that are as close as possible to the citizens;

(xxix) Strongly insists that the Commission proposal on 'Europe for Citizens' should be adopted by means of the codecision procedure;

(xxx) Underlines the importance of flexibility as regards multiannual expenditure, and notes that the existence of small headings such as the current Heading 3b hampers the reallocation of funds between programmes; urges that small headings and subheadings be avoided in the next MFF;

(xxxi) Recalls that investment from the European Social Fund and the European Regional Development Fund should represent more than EUR 72 billion for education and training and EUR 60 billion for research and innovation in the period 2007–2013; considers that opportunities exist for cultural measures to be funded under a number of Union programmes, such as the Structural Funds or external action instruments; therefore stresses the importance of maximising synergies and multiplier effects between different parts of the budget, in particular between structural policies, on the one hand, and education, training, youth and culture policies, on the other;

(xxxii) Calls for care to be taken to ensure that learning mobility for adults (including workers and adult learners) is eligible for funding under the Structural Funds and that such funding is made easier to access;

(xxxiii) Recommends improving accessibility to the opportunities for citizens and stakeholders in the next MFF proposal; in this regard, considers it important to simplify the administrative and financial burdens linked to the EU programmes;

(xxxiv) Considers NGOs to be important actors in reaching the goals set in the next MFF, and strongly recommends recognising their role as key actors in the European civil dialogue and providing them with adequate administrative and financial support, especially in times of crisis;

(xxxv) Underlines the importance of the European Neighbourhood Instrument in promoting mobility and supporting civil society in ENP countries; recalls, in this context, the need to maintain balance in the division of funds between the ENP's southern dimension and its eastern dimension;

(xxxvi) Recalls that social media and the internet are increasingly used by European citizens as a source for news and cultural content, as well as an opportunity to connect to politicians and policymakers in an interactive and collaborative manner; calls on the EU institutions to make use of social media and other online tools and interact more actively with citizens, for example by using programmes such as Sharing Europe; calls on the EU institutions to make more public sector information available for reuse;

(xxxvii) Strongly recommends giving communication its own legal basis as well as raising both commitments and payments for communication policies actions, in order to better enter into dialogue with citizens.

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	19.9.2012
Result of final vote	+: 26 –: 2 0: 2
Members present for the final vote	Zoltán Bagó, Malika Benarab-Attou, Lothar Bisky, Piotr Borys, Jean-Marie Cavada, Silvia Costa, Lorenzo Fontana, Cătălin Sorin Ivan, Petra Kammerevert, Morten Løkkegaard, Emilio Menéndez del Valle, Marek Henryk Migalski, Katarína Neveďalová, Doris Pack, Chrysoula Paliadeli, Gianni Pittella, Marie-Thérèse Sanchez-Schmid, Marietje Schaake, Marco Scurria, Emil Stoyanov, Hannu Takkula, László Tőkés, Marie-Christine Vergiat
Substitute(s) present for the final vote	François Alfonsi, Heinz K. Becker, Nadja Hirsch, Iosif Matula, Bernd Posselt, Mitro Repo, Kay Swinburne

18.9.2012

6

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the multiannual financial framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Dagmar Roth-Behrendt

SUGGESTIONS

The Committee on Legal Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Justice

1. Considers it an absolute priority to draft legislation that is simple, clear and comprehensible in order to ensure that EU legislation has a high level of transparency and is implemented effectively; points out, in this regard, that the further development of a European area of justice needs to be supported via adequate financial resources, with a view to providing citizens with EU-wide standards, a basic level of justice, non-discriminatory treatment and the full opportunity for them to exercise their rights anywhere in Europe;

2. Considers it essential that the EU funds, with meaningful financial allocations, a series of dedicated financial programmes to support its legislation and policies in the area of justice, focusing on cross-border issues that can only be adequately addressed by coordinated action at the level of the EU;

3. Stresses that a better achievement of full access to justice, thorough judicial training and effective judicial cooperation in civil and criminal matters could be further ensured by increasing the proposed allocation for the Justice Programme 2014-2020 and calls for a 5 % increase in its financial envelope;

Administration

4. Agrees with the need expressed by the Commission to rationalise administrative expenditure; stresses, however, that it is vital to strike a balance between making further

savings and ensuring that the institutions can perform their tasks and duties in accordance with their obligations and powers under the Treaties, taking account of the difficult challenges posed by the current economic crisis;

5. Notes, in this connection, that 80 % of the savings foreseen by the Commission stem from a proposed staff reduction of 5 %; profoundly disagrees with the application of a linear staff reduction to all institutions, bodies and agencies as their roles and responsibilities under the Treaties differ widely; stresses that it should be left to each of them to decide where, and which, cuts can be introduced so as to not hamper their proper functioning;

6. Recalls that, in 2004, the European Union civil service underwent a profound reform which has already generated savings of €3 billion, and will continue to generate savings for the EU budget of some further €5 billion until 2020; notes that the administrative expenditure of the EU represents only 5.8 % of the multi-annual financial framework (MFF) 2007-2013, which itself represents around 1 % of the EU's GNI;

7. Acknowledges the fact that the economic and social context, which differs over the period of the next MFF, needs to be taken into account by the Budgetary Authorities, but stresses that, more than ever, the EU needs an efficient civil service with highly qualified and multilingual staff, drawn from among citizens of the Member States on the widest possible geographical basis and with due regard to gender balance; points out that staff must be independent, adhere to the highest professional standards and be willing to leave their countries of origin; moreover, notes that staff need to be provided with the means to carry out their duties as efficiently and loyally as possible;

8. Will strongly oppose any measure which violates the legal position of officials with regard to fundamental rights, the general principles of Union law and the principle of social justice and which jeopardises the proper functioning of the EU administration in the fulfilment of its mission to serve the citizens and the Union.

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	18.9.2012
Result of final vote	+: 23 –: 1 0: 1
Members present for the final vote	Raffaele Baldassarre, Luigi Berlinguer, Sebastian Valentin Bodu, Françoise Castex, Christian Engström, Marielle Gallo, Giuseppe Gargani, Lidia Joanna Geringer de Oedenberg, Sajjad Karim, Klaus-Heiner Lehne, Antonio Masip Hidalgo, Jiří Maštálka, Alajos Mészáros, Bernhard Rapkay, Evelyn Regner, Francesco Enrico Speroni, Dimitar Stoyanov, Rebecca Taylor, Alexandra Thein, Rainer Wieland, Cecilia Wikström, Tadeusz Zwiefka
Substitute(s) present for the final vote	Piotr Borys, Eva Lichtenberger, Arlene McCarthy, Angelika Niebler, Dagmar Roth-Behrendt, József Szájer
Substitute(s) under Rule 187(2) present for the final vote	Jacek Włosowicz

6 20.9.2012

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Monika Hohlmeier

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

1. Takes note of the new structure of Heading 3 on Security and Citizenship; considers that the inclusion of food safety, the European Food Safety Agency, the Community Plant Variety Office and the European Medicines Agency in the new Heading 3 is questionable and does not echo the overall objective of Security and Citizenship; suggests changing the title, in line with Parliament's resolution of 8 June 2011 on 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe'[1], to 'Citizenship, freedom, security and justice';

2. Takes the view that the overall amount dedicated to the Area of Freedom, Security and Justice does not adequately reflect the strengthening of this area with the Lisbon Treaty and its growing tasks and challenges;

3. Emphasis the need for ensuring efficient use and good management of the funds, in order to avoid Member States pursuing their own national interests;

4. Stresses that the simplification of the funding structures, while providing flexibility, must maintain predictability and reliability, and that an adequate share must be ensured for each objective of the specific funds;

5. Stresses the need for the funded activities to provide a European added value, and for there to be an adequate balance between policy objectives in all funds and programmes;

[1] Texts adopted, P7_TA(2011)0266.

6. Welcomes the simplification of funding structures brought about by the establishment of the Asylum and Migration Fund and the Internal Security Fund, as well as the generally applicable rules on programming, management, control and reporting, provided a balance is maintained between the different priorities within the funds; points out that the simplification of the Home Affairs instruments will reduce the number of legal bases and their implementing rules and allow for a better understanding of the rules by all stakeholders;

7. Considers that a fair share of financial resources should be allocated under the Asylum and Migration Fund, in particular so as to support the objectives of the current Refugee Fund and Integration Fund; takes note of the particular emphasis on resettlement and relocation measures; stresses the need for the funded activities to provide a European added value, and for there to be an adequate balance of policy objectives;

8. Reiterates that new elements such as the EU PNR system or the 'smart borders package' are already planned; takes the view that the Internal Security Fund should have adequate financial resources to allow it to fulfil its objectives, while emphasising that all of its actions must comply fully with the Charter of Fundamental Rights; calls for funding for the development of protection-sensitive border controls which fully respect migrants' fundamental rights;

9. Stresses the need for spending on the Internal Security Fund to reflect the aim of strengthening the Area of Freedom, Security and Justice and ensuring coordination between Member States as regards the development of a uniform and high-quality external border control system; believes, furthermore, that investment in infrastructure, equipment, means of transport and IT systems should contribute to satisfying common security standards and to the efficiency of the joint operations coordinated by FRONTEX;

10. Emphasises that the Justice Programme receives adequate funding; stresses the need for an adequate balance between the funds attributed to the different objectives;

11. Is of the opinion that children's rights and child protection efforts should be made visible in specific funding lines so that allocations can be traced and monitored and their effectiveness assessed;

12. Welcomes the proposal for the Rights and Citizenships Programme; emphasises that the simplification of the funding structure should not result in a reduction in the level of financial resources compared to that available in the current 2007-2013 programmes, and therefore deplores the Commission's proposal to reduce funding; calls for an increased budget for promoting and protecting fundamental rights and combating racism, xenophobia and all forms of discrimination, especially in the context of the growing intolerance and social unrest experienced in Europe as a consequence of the current financial crisis;

13. Deplores the static approach to the funding of agencies in the Area of Freedom, Security and Justice, which does not reflect any increase or discontinuation of tasks;

14. Considers that, in particular, the budget for FRONTEX, the European Asylum Support Office (EASO) and the European Police Office (Europol) is not in line with their

6

substantially increased tasks; points, in this connection, to the recently amended mandate of FRONTEX, the start of and foreseen activities of EASO, and the establishment of the European Cybercrime Centre within Europol;

15. Stresses the need for a proper evaluation of the existing measures, and emphasises that proper impact assessments must be obligatorily carried out before new legislative proposals are made.

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	19.9.2012
Result of final vote	+: 51 –: 4 0: 3
Members present for the final vote	Jan Philipp Albrecht, Sonia Alfano, Roberta Angelilli, Edit Bauer, Rita Borsellino, Arkadiusz Tomasz Bratkowski, Simon Busuttil, Philip Claeys, Agustín Díaz de Mera García Consuegra, Ioan Enciu, Frank Engel, Cornelia Ernst, Tanja Fajon, Monika Flašíková Beňová, Kinga Gál, Kinga Göncz, Nathalie Griesbeck, Anna Hedh, Salvatore Iacolino, Sophia in 't Veld, Lívia Járóka, Teresa Jiménez-Becerril Barrio, Timothy Kirkhope, Juan Fernando López Aguilar, Baroness Sarah Ludford, Monica Luisa Macovei, Svetoslav Hristov Malinov, Véronique Mathieu, Anthea McIntyre, Louis Michel, Antigoni Papadopoulou, Georgios Papanikolaou, Jacek Protasiewicz, Carmen Romero López, Judith Sargentini, Birgit Sippel, Csaba Sógor, Valdemar Tomaševski, Kyriacos Triantaphyllides, Wim van de Camp, Axel Voss, Renate Weber, Josef Weidenholzer, Cecilia Wikström, Tatjana Ždanoka, Auke Zijlstra
Substitute(s) present for the final vote	Alexander Alvaro, Michael Cashman, Anna Maria Corazza Bildt, Dimitrios Droutsas, Ana Gomes, Monika Hohlmeier, Franziska Keller, Jean Lambert, Marian-Jean Marinescu, Antonio Masip Hidalgo, Hubert Pirker
Substitute(s) under Rule 187(2) present for the final vote	Erik Bánki

6 9.10.2012

OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Rafał Trzaskowski

SUGGESTIONS

The Committee on Constitutional Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Amendment 1
Draft interim report
Motion for a resolution
Recital D

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
D. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies, and is to be financed wholly from own resources;	D. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies, and is to be financed wholly from own resources, ***and whereas the Council is required to consult Parliament before it adopts a new decision on the reform of own resources, and is also required to obtain the consent of Parliament before adopting regulations on measures to implement the own resources system;***

Amendment 2
Draft interim report
Motion for a resolution
Recital J

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
J. whereas it is necessary for the EU to have both a budget and a budgetary procedure which fully reflect the transparent and democratic essence of the parliamentary decision-making and control process, on a basis of respect for the principles of unity and universality, which require that all revenue and expenditure be entered in full with no adjustment against each other, and that there be a public debate and vote on both revenue and expenditure;	J. whereas it is necessary for the EU to have both a budget and a budgetary procedure which fully reflect the transparent and democratic essence of the parliamentary decision-making and control process, on a basis of respect for the principles of unity and universality, which require that all revenue and expenditure be entered in full with no adjustment against each other, and that there be a public debate and ***parliamentary*** vote on both revenue and expenditure;

Amendment 3
Draft interim report
Motion for a resolution
Paragraph 7

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
7. Recalls that pursuant to Article 310 TFEU the revenue and expenditure shown in the EU budget must be in balance and, therefore, the budget cannot generate public ***debt***;	7. Recalls that pursuant to Article 310 TFEU the revenue and expenditure shown in the EU budget must be in balance and, therefore, the budget cannot generate ***a*** public ***deficit***;

Amendment 4
Draft interim report
Motion for a resolution

6 **Paragraph 8**

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
8. Stresses that the EU budget is an investment budget and that 94 % of its total returns are invested ***in*** the Member States themselves or for external priorities of the Union; emphasises that, for the regions and Member States, public investment would be minimised or impossible without the contribution of the EU budget; believes that any decrease of the EU budget would inevitably hamper the growth and competitive strength of the entire Union economy;	8. Stresses that the EU budget is ***primarily*** an investment budget and that 94 % of its total returns are invested ***within*** the Member States themselves or for external priorities of the Union; emphasises that, for the regions and Member States, public investment would be minimised or impossible without the contribution of the EU budget; believes that any decrease of the EU budget would inevitably hamper the growth and competitive strength of the entire Union economy;

Amendment 5
Draft interim report
Motion for a resolution
Paragraph 22

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
22. Recalls its position that, given the wide array of tasks, challenges and objectives that the CAP is called on to respond to, the amounts allocated to the CAP in the budget year 2013 should be at least maintained during the next financial programming period; stresses, in this context, the important role played by the second pillar of the CAP, which makes a significant contribution to investment and job creation in rural areas and to enhancing the effectiveness and competitiveness of the farming industry;	Recalls its position that, given the wide array of tasks, challenges and objectives that the CAP is called on to respond to, the amounts allocated to the CAP in the budget year 2013 should be at least maintained during the next financial programming period; stresses, in this context, ***the importance of agriculture to food security in all Member States and*** the important role played by the second pillar of the CAP, which makes a significant contribution to investment and job creation in rural areas and to enhancing the effectiveness and competitiveness of the farming industry;

Amendment 6
Draft interim report
Motion for a resolution
Paragraph 24

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
24. Takes the view that the overall amount dedicated by the Commission to the Area of Freedom, Security and Justice does not adequately reflect the strengthening of this area with the Treaty of Lisbon and its growing tasks and challenges;	24. Takes the view that the overall amount dedicated by the Commission to the Area of Freedom, Security and Justice does not adequately reflect the strengthening of this area with the Treaty of Lisbon and its growing tasks and challenges, ***particularly in the fight against crime and in the field of immigration and asylum policies;***

6

Amendment 7
Draft interim report
Motion for a resolution
Paragraph 26

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
26. Reiterates its position that the new responsibilities conferred on the EU by the Treaties will require appropriate additional funding compared to MFF 2007-2013, so as to allow the Union to fulfil its role as a global actor whilst upholding the undertakings it has already given, notably the achievement of the Millennium Development Goals by 2015; underlines the complementary nature of EU assistance to that provided by the Member States, and its catalyst effect in terms of intervening in regions where bilateral assistance is not delivered; is particularly supportive of joint programming between Member States and EU actions;	26. Reiterates its position that the new responsibilities conferred on the EU by the Treaties will require appropriate additional funding compared to MFF 2007-2013, so as to allow the Union to fulfil its role as a global actor ***and ensure the achievement of its ambitions in promoting democracy, peace, solidarity, stability and poverty reduction in neighbourhood and partner countries***, whilst upholding the undertakings it has already given, notably the achievement of the Millennium Development Goals by 2015; underlines the complementary nature of EU assistance to that provided by the Member States, and its catalyst effect in terms of intervening in regions where bilateral assistance is not delivered; is particularly supportive of joint programming between Member States and EU actions***; stresses the increase in the Union's international responsibilities and the development of new instruments including that of the External Action Service; insists on the need to match its aspiration to develop common foreign, security and defence policies with results;***

Amendment 8
Draft interim report
Motion for a resolution
Paragraph 62

Motion for a resolution of the Committee on Budgets (draft report PE 496.558v01-00)	*Amendment*
62. Expresses its readiness to enter into	62. Expresses its readiness to enter into

substantial discussions with the Council on both the MFF regulation and the IIA, and asks the Council to intensify contacts at all levels with a view to the 22-23 November European Council;	substantial discussions with the Council on both the MFF regulation and the IIA, and asks the Council to intensify contacts at all levels with a view to the 22-23 November European Council; ***stresses the need to reach the final agreement on the MFF as soon as possible, as any delay would adversely affect the possibility of making effective use of EU budget expenditures in view of the challenges currently facing European economies, stemming from the financial crisis***;

6

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	9.10.2012
Result of final vote	+: 18 –: 3 0: 1
Members present for the final vote	Alfredo Antoniozzi, Andrew Henry William Brons, Carlo Casini, Andrew Duff, Roberto Gualtieri, Enrique Guerrero Salom, Gerald Häfner, Stanimir Ilchev, Constance Le Grip, David Martin, Morten Messerschmidt, Paulo Rangel, Algirdas Saudargas, Indrek Tarand, Rafał Trzaskowski, Manfred Weber
Substitute(s) present for the final vote	Elmar Brok, Zuzana Brzobohatá, Andrea Češková, Marietta Giannakou, Anneli Jäätteenmäki, Vital Moreira, Helmut Scholz, György Schöpflin

20.9.2012

6

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY

for the Committee on Budgets

on the interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure
(COM(2011)0398 – COM(2012)0388 – 2011/0177(APP))

Rapporteur: Inês Cristina Zuber

Mod

SUGGESTIONS

The Committee on Women's Rights and Gender Equality calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its report:

Citations and/or recitals

– having regard to Article 2 and Article 3(3), second subparagraph, of the Treaty on European Union (TEU) and to Article 8 of the Treaty on the Functioning of the European Union (TFEU),

– having regard to Article 23 of the Charter of Fundamental Rights of the European Union,

A. whereas the Commission's approach regarding the gender equality aspects of the next MFF aims at greater flexibility in answering the upcoming challenges facing women, but the failure to earmark concrete funds risks resulting in decreased funding compared to the current MFF;

B. whereas the strategy for equality between men and women 2010-2015 asserts that the next Multiannual Financial Framework will provide support for implementation of the actions envisaged in the strategy;

C. whereas the current proposal for MFF 2014-2020 does not reflect the importance of increasing investment in gender equality and women's rights, inter alia as a necessary response to the current economic and financial crisis;

Recommendations

6

(i) Stresses that gender equality mainstreaming and specific resource allocation must go hand in hand, and that, therefore, specific resource allocation cannot be replaced by horizontal objectives; calls for a double approach which will ensure efficiency and predictability and will be the rule in all key financing instruments; emphasises the need for stronger and more efficient integration of gender equality policies and gender mainstreaming tools during the next programming period;

(ii) Calls on the Commission and Council to apply gender-responsive budgeting processes in MFF 2014-2020; stresses that the MFF Regulation should include instructions to the Commission to apply gender budgeting in the EU budgetary process and the use of the different financing instruments;

(iii) Points out that the MFF should provide a gender analysis of its budget priorities, as well as a breakdown of any budgetary provision for gender-specific policies and programmes;

(iv) Stresses the need for increased funding for gender equality actions, in terms of employment and growth in order to tackle horizontal and vertical gender segregation and to combat the gender pay gap and pension pay gap and the increasing poverty rate among women, as well as in terms of rights and democracy; calls on the Commission and Council to establish gender equality as a specific objective in the Rights and Citizenship programme, as well as safeguarding the Daphne programme as an independent subheading in this same programme;

(v) Calls on the Commission and Council to include gender equality objectives within the regulations governing the Structural Funds, as well as within key EU funding programmes (health and environment, education, youth, economy, etc), and to ensure they are accompanied by earmarked funding; advocates a more strategic application of the ESF for promoting equality between women and men, labour market access and reintegration and combating unemployment, poverty, social exclusion and all forms of discrimination; calls on the Commission to come up with proactive measures through the European Agricultural Fund for Rural Development, in order to support women's employment in rural areas;

(vi) Calls on the Commission and Council to ensure continued earmarked funding for the European Institute for Gender Equality, without any decrease, in order to allow the Institute to become fully operational and provide statistics and research on gender policy in the EU to Member States and the rotating Presidencies of the Council of the European Union;

(vii) Stresses that the Commission's strategy for equality between women and men 2010-2015 and the strategy for the following five years after 2015, as well as the annual reports on gender equality should serve as a fundamental indication as regards in what areas and how the spending should be targeted, taking into account in particular the high risk of poverty and social exclusion of the most vulnerable categories, such as elderly women and single mothers;

(viii) Notes that the creation of large-scale funding programmes will prevent smaller NGOs, including women's organisations, from benefiting from EU project funding and thus impede their unique contribution to improving the quality of policy and legislation in the

field of gender equality; calls for the continuation of smaller grants alongside the bigger grants, in order to ensure that smaller NGOs will continue to have access to EU funding in the future;

6

(ix) Calls on the Commission and Council to ensure that all budgetary allocations under the MFF 2014-2020 will respect the principle of gender equality and promote gender mainstreaming in all Union policies;

(x) Points out that gender equality needs to be much more clearly stated as an objective and to be coupled with earmarked funding in all EU external actions and programmes;

(xi) Underlines the importance of gender budgeting as a good governance tool to improve efficiency and fairness, proper monitoring of how budgetary allocations affect the economic and social opportunities of women and men, and flexibility as regards restructuring those which negatively affect the achievement of gender equality; believes that a substantial analysis of gender issues in the EU budget planning process will improve the targeting of resources in such a way that equality and social cohesion are enhanced.

Modifications

Modification 1

Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020
Recital 14 a (new)

Text proposed by the Commission	*Modification*
	(14a) The annual budgetary procedures applied for the MFF 2014-2020 will integrate gender-responsive elements, taking into account the ways in which the overall financial framework of the Union contributes to increased gender equality (and ensures gender mainstreaming).

Modification 2

Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020
Article 12 – paragraph 1

Text proposed by the Commission	*Modification*
The European Parliament, the Council and the Commission (hereinafter the	The European Parliament, the Council and the Commission (hereinafter the

6	institutions) shall take any measures to facilitate the annual budgetary procedure.	institutions) shall take any measures to facilitate the annual budgetary procedure, ***and ensure a gender-responsive budgeting process at all its stages.***

RESULT OF FINAL VOTE IN COMMITTEE

6

Date adopted	19.9.2012
Result of final vote	+: 26 –: 0 0: 0
Members present for the final vote	Regina Bastos, Marije Cornelissen, Edite Estrela, Iratxe García Pérez, Mikael Gustafsson, Mary Honeyball, Lívia Járóka, Teresa Jiménez-Becerril Barrio, Nicole Kiil-Nielsen, Silvana Koch-Mehrin, Rodi Kratsa-Tsagaropoulou, Astrid Lulling, Barbara Matera, Krisztina Morvai, Norica Nicolai, Joanna Senyszyn, Joanna Katarzyna Skrzydlewska, Britta Thomsen, Anna Záborská, Inês Cristina Zuber
Substitute(s) present for the final vote	Silvia Costa, Mariya Gabriel, Ana Miranda, Doris Pack, Antigoni Papadopoulou, Angelika Werthmann

6

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	11.10.2012
Result of final vote	+: 35 –: 1 0: 2
Members present for the final vote	Marta Andreasen, Reimer Böge, Zuzana Brzobohatá, Jean Louis Cottigny, Jean-Luc Dehaene, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ingeborg Gräßle, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Ivailo Kalfin, Alain Lamassoure, Giovanni La Via, Jan Mulder, Juan Andrés Naranjo Escobar, Dominique Riquet, Potito Salatto, Alda Sousa, Helga Trüpel, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	Alexander Alvaro, Maria Da Graça Carvalho, Edit Herczog, Peter Jahr, Jürgen Klute, Paul Rübig, Georgios Stavrakakis, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	Phil Bennion, Nikos Chrysogelos, Norbert Glante, Róża Gräfin von Thun und Hohenstein

EUROPEAN PARLIAMENT 2009 - 2014

Plenary sitting

A7-0316/2012

12.10.2012

*

REPORT

on the proposal for a Council regulation on the methods and procedure for making available the own resource based on the value added tax (COM(2011)0737 – C7-0504/2011 – 2011/0333(CNS))

Committee on Budgets

Rapporteur: Jean-Luc Dehaene

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold.** Any deletions that Parliament wishes to make in such passages are indicated thus: **[...]**.

CONTENTS

6

Page

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION 5

EXPLANATORY STATEMENT 8

PROCEDURE 12

6

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on the methods and procedure for making available the own resource based on the value added tax (COM(2011)0737 – C7-0504/2011 – 2011/0333(CNS))

(Special legislative procedure – consultation)

The European Parliament,

– having regard to the Commission proposal to the Council (COM(2011)0737),

– having regard to Article 322 of the Treaty on the Functioning of the European Union and Article 106a of the Euratom Treaty, pursuant to which the Council consulted Parliament (C7-0504/2011),

– having regard to Article 311 of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the Court of Auditors (Opinion No 2/2012)[1],

– having regard to its resolution of 29 March 2007 on the future of the European Union's own resources[2],

– having regard to its resolution of 8 June 2011 entitled 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe'[3],

– having regard to its resolution of 13 June 2012 on the Multiannual Financial Framework and own resources[4],

– having regard to its resolution of 23 October 2012 in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure[5],

– having regard to Rule 55 of its Rules of Procedure,

– having regard to the report of the Committee on Budgets (A7-0316/2012),

A. whereas the Treaty clearly stipulates that the Union budget is to be financed wholly from own resources;

B. whereas the Parliament, in its abovementioned resolution of 13 June 2012, adopted by an overwhelming majority, welcomed the legislative proposals made by the Commission on 29 June 2011 on the reform of the own-resources system, including the proposals on a financial transaction tax (FTT) and a new EU VAT as own resources, which are aimed at reducing the share of Member States' GNI-based contributions to the EU budget to 40 %

[1] OJ C 112, 18.4.2012, p. 1.
[2] OJ C 27 E, 31.1.2008, p. 214
[3] Texts adopted, P7_TA(2011)0266.
[4] Texts adopted, P7_TA(2012)0245.
[5] Texts adopted, P7_TA (2012)XXXX.

6

by 2020, thereby contributing to the consolidation efforts of Member States;

C. whereas the Parliament, in its abovementioned resolution of 23 October 2012, expressed a strong belief that the VAT is one of the conditions for the necessary political agreement on Own resources and that an agreement on the reform of VAT as own resource, as well as its implementing modalities, must be concluded together with the agreement on the MFF;

D. whereas, for the first time, the Treaty requires Parliament's consent to implementing measures for the system of the Union's own resources, and whereas Parliament has clearly expressed its will to exercise its prerogative in that regard in the negotiations on the reform of the own-resources system;

E. whereas the Committee of the Regions and the European Economic and Social Committee, in their opinions on the Commission proposals for an own-resources reform, welcome the proposal for a new VAT own resource[1];

F. whereas Parliament has several times reiterated its position that a reform of the own-resources system of the Union is needed, in particular in relation to the existing VAT resource, with the aim of reverting to its initial idea of that resource being a genuine own resource and not a pure statistical device[2];

G. whereas Parliament welcomes the attempted simplification of the VAT calculation method and the fact that the Commission's proposal improves the transparency of the VAT own resource;

H. whereas, the Parliament considers among the strongest advantages of the new VAT proposal its transparency, fairness to taxpayers in all Member States, improved simplicity and potential to turn into a genuine own resource directly accruing to the EU budget in the future;

I. whereas Parliament considers that any genuine own resource should accrue directly to the Union budget;

1. Approves the Commission proposal;

2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;

3. Asks the Council to consult Parliament again if it intends to substantially amend the text approved by Parliament;

4. Calls on the Commission to come up with concrete proposal how to further reform the

[1] Opinion of the Committee of the Regions on the new Multiannual financial framework 2014 - 2020, adopted at the 93d Plenary Session of 14-15 December 2011.
Opinion of the European Economic and Social Committee on the system of own resources, adopted at the Plenary session of 29 March 2012.
[2] See Parliament's resolution of 29 March 2007 on the future of the European Union's own resources (OJ C 27 E, 31.1.2008, p. 214).

VAT own resource so that it accrues directly to the Union budget already in the 2014 - 2020 period or in a further revision of the own resources system;

6

5. Calls for a practical follow-up to the Commission's Green Paper on the future of VAT and concrete measures that will ensure a higher degree of harmonisation of the VAT systems in the Member States, since it is only such harmonisation that can provide the basis for making the VAT a genuine own resource, accruing directly to the Union budget in the future;

6. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

EXPLANATORY STATEMENT

At its inception in 1970, the VAT-based own resource was designed as a potentially genuine own resource, under the assumption that a continuous process of harmonisation of national VAT legislation would eventually render the national VAT assessment bases fully harmonised. However, it has gradually been transformed to a complex and opaque statistical device that actually represents another form of GNI contribution and is transferred from national budgets. The VAT-based own resource represents 11,2% of revenue in the budget 2011.

On 29 June 2011 the Commission presented its proposals for a new Multiannual Financial Framework 2014 - 2020 jointly with a set of proposals on the reform of the Union's own resources system. Those include a proposal for the VII Own Resources Decision (ORD) that call for the abolition of the existing VAT own resource and its replacement by a new EU VAT resource that is depicted in detail in the proposal for a Council Regulation on the methods and procedures for making available the own resource based on the VAT, which is the subject of the present report.

Contents of the current Commission Proposal

The draft regulation for making the VAT own resource available is necessary to define the method Member States should use to calculate this new resource as well as the procedures for its transfer into the EU budget.

The underlying principle of the Commission's proposal is that the new EU VAT own resource is based on a share of the VAT on supplies of good and services, acquisitions and importations "subject to a standard rate of VAT in every Member State". Therefore, it is based on the actual harmonisation that already exists in those good and services with a standard rate across the EU. In addition, the new system moves the largest share of calculations currently done by Member States to the European Commission.

2.1. Method of Calculation of the new VAT OR

The new procedure can be set out in the following steps:

Step I: Adjusted VAT receipts

Actual VAT receipts for a given month	–	Adjustments by some Member States	=	Adjusted VAT receipts

- The method uses as starting point the **actual VAT receipt figures** held by the Member States;

- Several Member States would need to correct figures to exclude, for instance, interest and penalties or make adjustment to take account of the overseas territories or the specific VAT treatment granted.

Step II: Apply "uniform percentage" to adjusted VAT receipts

Adjusted VAT receipts	X	Uniform Percentage	=	Assumed VAT receipts from standard rated supplies to final consumption

- The **uniform percentage** is a single percentage applicable all over the EU. It will be calculated by dividing the EU-wide average proportion of VAT receipts accruing from standard-rated supplies by final consumption (made to households and entities not subject to deduct the VAT they have been charged) in all Member States. It will be calculated via a major statistical study undertaken by the Commission in close cooperation with the Member States and will be set for the whole MFF period.

Step III: Calculate VAT own resources base

Assumed VAT receipts from standard rated supplies to final consumption	÷	Standard VAT rate applied in the Member State	=	VAT own resources (standard rate) base

- The value of the "assumed VAT receipts" should be divided by the actual **standard-rate applied in the country** (this standard rate varies between Member States - it should be a percentage between 15 and 27%). This will create the VAT own resources base.

Step IV: Calculate the monthly VAT OR contribution

VAT own resources base	X	Percentage set out in the implementing Council Regulation	=	VAT own resources monthly contribution of the Member State

- A percentage set out in the implementing Council Regulation on own resources[1] should be applied to the actual value of the VAT own resources base (maximum rate (2%) is set in ORD with operative rate (1%) in implementing Regulation).
- This will determine the VAT OR monthly contribution of the Member State.

[1] COM(2011)740

6

Assessment by the Rapporteur

Advantages

- A significantly simpler VAT calculation, which no longer requires the calculation of:
  - a weighted average VAT rate,
  - an intermediate base calculation,
  - any of the compensations to the intermediate base currently required.

- More transparent: only goods and services taxed by the standard VAT rate in all MS will be used for the calculation and only real actual receipts obtained by Members will be used.
- There will be less corrections to the VAT base for some Member States (only fines and penalties, refunds to non-taxable persons, receipts from non-EU territories, account for multiple standard rates), compared to the currently existing 22 compensations.
- There will be no compensations given that only goods and services taxed with the standard VAT rate will be used for the calculations.
- Equal treatment of all EU Member States - there will be a uniform percentage applicable to all Member States, contrary to the current different call in rates
- Less administrative burden on Member States. This will be largely assumed by the European Commission.
- Focus on materiality. The new resource will be based on actual receipts and not statistics.
- No capping will be applied.
- It seems to be reliable and predictable over time.
- It is flexible to adapt to any future reform of the VAT tax without any changes be introduced to the current OR proposal.

Disadvantages

- Still relatively complicated methodology done in 4 steps, involving complex calculations.
- More administrative burden for the Commission.
- The proposed simplification of the calculation method might not be able to taken into account the differences between the VAT systems existing in Member States.
- The new VAT will still not be an own resource directly accruing to the EU budget but will pass through national treasuries.

Conclusions

The new EU VAT own resource proposal represents undoubtedly an important improvement to the current system and has serious potential to develop into a stable and reliable genuine own resource for the Union's budget. The VAT own resource should be part of a general

reform of the own resources system, which should substantially decrease the overall level of national contributions by Member States.

6

Your rapporteur supports, therefore, the Commission proposal to abolish the current VAT own resources and to create a new EU VAT own resource.

Your rapporteur would like to also underline that one of the fundamental criteria of a genuine VAT own resource should be to accrue directly to the EU budget without first being collected by national administrations. Unfortunately, neither the existing system, nor the Commission proposals envisage this solution for the VAT. If this condition cannot be met for the upcoming 2014 - 2020 MFF, then your Rapporteur calls on the Commission to consider this option for the next period, when the own resources system should be further reformed with the aim of achieving full financing of the EU budget from own resources, as stipulated in Article 311 of the TFEU.

Your rapporteur stresses the importance that the European Parliament attaches to the reform of the own resources system, including the relevant proposals on VAT. In its plenary resolution on the MFF and own resources of 13 June 2012, the European Parliament states that it is not prepared to give its consent to the next MFF regulation without a political agreement on reform of the own resources system.

6

PROCEDURE

Title	Own resource based on the value added tax		
References	COM(2011)0737 – C7-0504/2011 – 2011/0333(CNS)		
Date of consulting Parliament	12.12.2011		
Committee responsible Date announced in plenary	BUDG 15.12.2011		
Committee(s) asked for opinion(s) Date announced in plenary	CONT 15.12.2011	ECON 15.12.2011	JURI 15.12.2011
Not delivering opinions Date of decision	CONT 6.12.2011	ECON 29.11.2011	JURI 19.12.2011
Rapporteur(s) Date appointed	Jean-Luc Dehaene 5.12.2011		
Date adopted	10.10.2012		
Result of final vote	+: –: 0:	35 1 2	
Members present for the final vote	Marta Andreasen, Reimer Böge, Zuzana Brzobohatá, Jean Louis Cottigny, Jean-Luc Dehaene, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ingeborg Gräßle, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Ivailo Kalfin, Alain Lamassoure, Giovanni La Via, Jan Mulder, Juan Andrés Naranjo Escobar, Dominique Riquet, Potito Salatto, Alda Sousa, Helga Trüpel, Derek Vaughan, Angelika Werthmann		
Substitute(s) present for the final vote	Alexander Alvaro, Maria Da Graça Carvalho, Edit Herczog, Peter Jahr, Jürgen Klute, Paul Rübig, Georgios Stavrakakis, Nils Torvalds		
Substitute(s) under Rule 187(2) present for the final vote	Phil Bennion, Nikos Chrysogelos, Norbert Glante, Róża Gräfin von Thun und Hohenstein		
Date tabled	12.10.2012		

Committee on Budgets
The Secretariat

NOTE ON THE STATE OF PLAY ON OWN RESOURCES

1.1. Overview and key elements of the own resources package

Key elements:

- reform of correction mechanisms - replacing the current system with lump-sums
- simplification of MS contributions via the simplified and modified method of calculation of VAT contributions
- possibly the introduction of new resources in the form of a Financial Transaction Tax, through enhanced cooperation
- decrease of MS GNI contributions thanks to the new revenue inflow via the FTT and the new VAT

1.2. Commission proposal for a Council decision on the system of own resources of the EU

NUMBER (COM):	COM (2011)739 amending proposal COM(2011) 0510
LEGAL BASIS:	Article 311 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG
STATE OF PLAY/ CALENDAR:	Parallel to MFF negotiations - should be finalised once a full picture of the Parliament's strategy on OR is available and once a position on the FTT under enhanced cooperation is available

- Lists the categories of own resources
- Collection costs
- Ceiling of own resources
- Rebates

1.3. Commission proposal for a Council regulation laying down implementing measures for the system of own resources of the European Union

NUMBER (COM):	COM (2011)740 amending proposal COM(2011) 0511
LEGAL BASIS:	Article 311 (4) TFEU
PROCEDURE:	Consent (QMV in the Council)

6

RESPONSIBLE COMMITTEE:	BUDG
STATE OF PLAY/ CALENDAR:	Parallel to MFF negotiations - should be finalised once a full picture of the Parliament's strategy on OR is available

This proposal sets out the applicable share in the taxes and of the rate of call of own resources.

1.4. Commission proposal for a Council regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements (recast)

NUMBER (COM):	COM (2011)742 amending proposal COM(2011) 0512
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG
STATE OF PLAY/ CALENDAR:	Could proceed to immediate work of this report

This proposal aims at ensuring "*cash requirements will be met under the new structure of EU financing introduced by the proposal for a Council Decision on the system of own resources of the EU and (related) new proposals*", as stated in the memorandum statement.

At first sight, there is only one substantial change proposed (article 9(3) second sub paragraph): a doubling of the number of twelfths available in advance (from 2 to 4) in the first quarter of the year, in order to cover cash requirement - due mainly to expenditure of the EAGF. This proposal derives from the new structure of own resources which foresees a decrease in the share of own resources based on a regular financial stream (decrease of the share of the GNI resource, end of the current VAT own resources).

The content of this proposal could be subject to a change depending on the outcome of negotiations on the Own Resources system (if VAT proposal and FTT will be accepted, if only GNI resource will remain, etc.)

1.5. Commission proposal for a Council directive related to a common system of taxation of the financial sector

NUMBER (COM):	COM (2011)0594
LEGAL BASIS:	Article 113 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	ECON
STATE OF PLAY/ CALENDAR:	Report adopted

This proposal aims at creating a financial transaction tax at the EU level, which could then be wholly or partially used as own resource for the EU budget.

The Parliament voted in favour of the FTT and concluded that part of the revenue from FTT could be managed at Union level, either as a part of Union own resources

or directly linked to specific Union policies and public goods. The use of part of revenue from FTT as Union own resources would reduce national contributions to the Union budget and would therefore release funds from the national budgets for other uses.

1.6. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on the financial transaction tax

NUMBER (COM):	COM (2011)0738
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG
STATE OF PLAY/ CALENDAR:	Currently replaced by a proposal to introduce FTT under enhanced cooperation for 11 MS.

1.7. Commission proposal for a financial transaction tax implemented through enhanced cooperation as a basis for an own resource

At the ECOFIN meeting of 22 June 2012 it was concluded that support for an FTT as proposed by the Commission was not unanimous but a significant number of delegations for considering enhanced cooperation on the basis of Art. 20 TEU and Articles 326 to 334 TFEU, which would allow a group of Member States to proceed amongst themselves, making use of the EU institutions.

On 23.10.2012 the Commission submitted its proposal for a Decision for authorizing the enhanced cooperation procedure for FTT

NUMBER (COM):	COM (2012) 0631
LEGAL BASIS:	Article 329 TFEU
PROCEDURE:	Consent in Parliament, QMV of all Member States in Council
RESPONSIBLE COMMITTEE:	ECON
ADOPTION DATE	Envisaged for discussion at the European Council of 21 - 22 November - postponed to next EC (part of MFF negotiations)

The Parliament approved the decision on 12 December 2012.
The final decision in the Council is awaited.

In case the Council's opinion is also favourable the Commission could present a proposal for an FTT under enhanced cooperation - likely to be the same or similar to the proposal tabled by the Commission for the 27 Member States in July 2011

LEGAL BASIS:	Article 113 TFEU
PROCEDURE:	Unanimity of the participating MS or QMV if they have so decided in the Decision for authorising the enhanced cooperation procedure
RESPONSIBLE COMMITTEE:	No role of Parliament, proposal decided only by the participating MS

Finally, if the participating MS decide to contribute the entire or part of the revenue coming from the FTT under enhanced cooperation to the EU budget, the Commission

will have to make a proposal for a decision making the FTT under enhanced cooperation available as an own resource and also should amend its proposals for own resources decision and for implementing measures accordingly.

In its preliminary legal analysis the Commission revealed that it sees no legal obstacles that would prevent the FTT under enhanced cooperation to become the base for a new Own Resource. The only necessary legal pre-condition for creating a new category of own resources is that the revenue concerned is established as an own resource by an own resources decision under Article 311(3) TFEU, adopted by unanimity and subject to ratification of national parliaments. Accordingly, regardless of the number of participating MS to the underlying tax, an FTT-based own resource would have to be provided for in the Own Resources Decision.

Therefore, once the legal basis for the enhanced cooperation is established, the Commission is expected to submit amended proposals for an Own Resources Decision and Implementing Measures for the system of own resources to take into account the FTT contribution from the Member States participating in the enhanced cooperation.

1.8. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on value added tax

NUMBER (COM):	COM (2011)0737
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG
STATE OF PLAY/ CALENDAR:	EP position adopted on 23.10.2012

This regulation sets a new calculation method for the VAT own resource and describes the procedures for member states to make the EU VAT available: practical arrangements in respect to the accounting and administrative arrangements, the timing for making the VAT own resources available (system of monthly statements), interest in cases of delay, and also proposes the setting-up of a committee procedure (advisory committee on own resources).

The Parliament voted favourably to the Commission proposal. Although no amendments to the method of calculating the VAT were made, the Parliament insisted on making the VAT a real own resource by accruing it directly to the EU budget, without prior passage through national treasuries.

ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPÉEN PARLAIMINT NA hEORPA PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU PARLAMENTUL EUROPEAN
EURÓPSKY PARLAMENT EVROPSKI PARLAMENT EUROOPAN PARLAMENTTI EUROPAPARLAMENTET

Committee on Budgets
The Secretariat

Comparison of own resources provisions in the negotiations on the 2014 - 2020 MFF

	Current system	COM proposals	EP interim report/ position	HVR latest
FTT	Does not exist	Initially the Commission proposed the introduction of an FTT in all MS. The minimum rates for the FTT were proposed as follows: 0,1% in respect to transactions other than those related to derivatives arrangements and 0,01% in respect to transactions related to derivatives arrangements.	Welcomes FTT under enhanced cooperation with the possibility to apply to all other MS too. At least part of the proceeds from FTT under enhanced cooperation should enter the EU budget	2/3 of the revenue from FTT under enhanced cooperation will be used as an own resource. GNI contributions of the participating MS will be decreased accordingly. Will not impact non-participating MS and will not impact UK correction.

	Current system	COM proposals	EP interim report/ position	HVR latest
		2/3 of the revenue from FTT would have been used as an own resource.		
VAT	More complicated system, statistical method of calculation. The calculations are made using a weighted average VAT rate, an intermediate base and numerous compensations to the intermediate base.	The Commission proposed a simplified and more transparent calculation method, which does not entail the creation of a new pan-European VAT. The VAT base per MS will be calculated using a uniform percentage (determined via a statistical exercise by the Commission) and will be applicable to those goods and service subject to standard rate in all Members. 1% of the VAT base per MS will go to the EU budget.	An agreement on the reform of VAT as own resource, as well as its implementing modalities, must be concluded together with the agreement on the MFF; On 23.10.2012 EP approved the Commission proposal for VAT without modifications. The EP invited the Commission, as a next step, to make the VAT a genuine own resource, going straight into the Union budget and not passing through national treasuries.	The Commission will continue to work on improving the VAT. A new VAT OR will come into application by 2021.
Rebates	1. The UK rebate: in simplified terms, under the current compensation mechanism, two thirds (66%) of the difference between the United	Abolish the UK rebate and other existing rebates; Replace the existing system of rebates with a new system of lump-sums in the form of	The new system must put an end to the existing rebates and other correction mechanisms; Any eventual compensation can only be accepted on the basis of the Commission	UK rebate will continue as it is (infinite) except its connection to the breakdown of rural development expenditure.

	Current system	COM proposals	EP interim report/ position	HVR latest
	Kingdom's percentage share of VAT payments and its percentage share of allocated EU expenditure, applied to total allocated expenditure, is refunded to the United Kingdom by way of a reduction in its VAT base. 2. Reduced contribution to the financing of the UK correction for Austria, Germany, the Netherlands and Sweden 3. Rate-of-call for VAT own resources contribution is reduced for Austria, Germany, Sweden and the Netherlands 4. The Netherlands and Sweden have a reduction in their GNI 'own-resources' contribution	reduction in the annual GNI contributions as of January 2014 - Germany (EUR 2 500 mln), the Netherlands (EUR 1 500 mln), Sweden (EUR 350 mln) and the UK (EUR 3 600 mln	proposal, as temporary by nature and justified by indisputable and objective economic criteria;	Lump sum rebates for: Germany: EUR 2800 mln the Netherlands: EUR 1 150 mln Sweden: EUR 325 mln All corrections will be fully financed by all MS

	Current system	COM proposals	EP interim report/ position	HVR latest
TOR	25% collection costs for MS	10% collection costs for MS	No specific position	15% collection costs for MS
GNI	No change in the calculations method	No change in the calculations method	No change in the calculations method	No change in the calculations method
Others	Ceiling 1.23% for CA and 1.29% for PA	Ceiling 1.23% for CA and 1.29% for PA	40% of the budget to be financed by OR The reform must enter into effect for the 2014 - 2020 MFF In the event that implementation of the new own resources does not result in a significant decrease in Member States' GNI-based contributions to the EU budget, the Commission should come forward with additional proposals on the introduction of new genuine own resources.	Ceiling 1.23% for CA and 1.29% for PA

EUROPEAN PARLIAMENT 2009 - 2014

Committee on Budgets

19. 06. 2012

WORKING DOCUMENT

on the VAT as an own resource

Committee on Budgets

Rapporteur: Jean-Luc Dehaene

6

A. Introduction

The VAT-based own resource was first introduced in 1970 as a potentially genuine own resource, under the assumption that a continuous process of harmonisation of national VAT legislation would eventually render the national VAT assessment bases fully harmonised. However, 42 years later and with 21 additional EU Member States the opposite tendency is observed - the VAT own resource is becoming increasingly complex, while its method of calculation largely incomprehensible. In fact, as observed by the European Parliament[1], this initially conceived as genuine own resource VAT has now been almost transformed to a purely statistical device that actually represents another form of GNI contribution and is transferred from national budgets. The VAT-based own resource represents 11,2% of revenue in the budget 2011.

On 29 June 2011 the Commission presented its proposals for a new Multiannual Financial Framework 2014 - 2020 jointly with a set of proposals on the reform of the Union's own resources system. Those include a proposal for the VII Own Resources Decision (ORD) that call for the abolition of the existing VAT own resource and its replacement by a new EU VAT resource that is based on a simplified and more transparent calculation method, but does not entail the creation of a new pan-European VAT.

The present document aims at examining how the VAT own resource has evolved since its inception in the 1970s, to assess its current characteristics, to present the Commission proposal for a new VAT own resource and to evaluate to what extent the it will overcome the drawbacks of the existing one. Given the historical link between the VAT own resource and rebates, this working document will also present the past and currently applicable system of corrections, its connection to VAT and the new Commission proposal for its reform.

Existing Legal Framework concerning the VAT as own resource

Council Own Resources Decision (ORD) 2007/ 436
The provisions relating to the system of own resources are set out in the ORD adopted unanimously by the Council after consulting the European Parliament and needs to be ratified by all EU Member States in accordance with their respective constitutional arrangements. On VAT, the ORD determines the uniform rate of call and the exceptions to it for Austria, Germany, the Netherlands and Sweden, as well as the provisions for the British rebate.

Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax

This regulation lays down the practical arrangements for the calculation of the VAT own resource and its accrual to the EU budget.

[1] Report on the future of the European Union's own resources, Rapporteur A. Lamassoure, P6_TA(2007)0098, adopted 29 March 2007

Legislative Commission proposals concerning the VAT as an own resource

The Lisbon treaty changed significantly EU's legal architecture in relation to own resources:

- Article 311 of the TFEU provides that "without prejudice to other revenue, the budget shall be financed wholly from own resources" and that the Council "may establish new categories of own resources or abolish an existing category". Additionally, the Treaty provides that the Council may lay down implementing measures for the Union's own resources system by means of regulations in accordance with a special legislative procedure and after obtaining the consent of the European Parliament.
- Article 322§2 of the TFEU lays down provisions on the methods and procedures whereby the budget revenue provided under the arrangements relating to the Union's own resources "shall be made available" to the Commission.

On the basis of the above, the Commission presented last year three proposals related to the VAT own resource :

1. Commission proposal for a Council decision on the system of own resources of the EU

NUMBER (COM):	COM (2011)739 amending proposal COM(2011) 0510
LEGAL BASIS:	Article 311 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

The proposal envisages the termination of he current VAT as of 31 December 2013 and the creation of a new EU VAT resource - which shall not exceed 2% of the standard rate of VAT in every Member State. The proposal further envisages the abolition of the UK rebate and other existing rebates and their replacement with a new system of lump-sums in the form of reduction in the annual GNI contributions as of January 2014 - Germany (EUR 2 500 m), the Netherlands (EUR 1 500 m), Sweden (EUR 350 m) and the UK (EUR 3 600 m).

2. Commission proposal for a Council regulation laying down implementing measures for the system of own resources of the European Union

NUMBER (COM):	COM (2011)740 amending proposal COM(2011) 0511
LEGAL BASIS:	Article 311 (4) TFEU
PROCEDURE:	Consent (QMV in the Council)
RESPONSIBLE COMMITTEE:	BUDG

This proposal sets out the applicable shares and rates for the VAT own resources, at 1.0% of the net value of goods or services subject to a standard VAT in all Member States.

3. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on value added tax

6

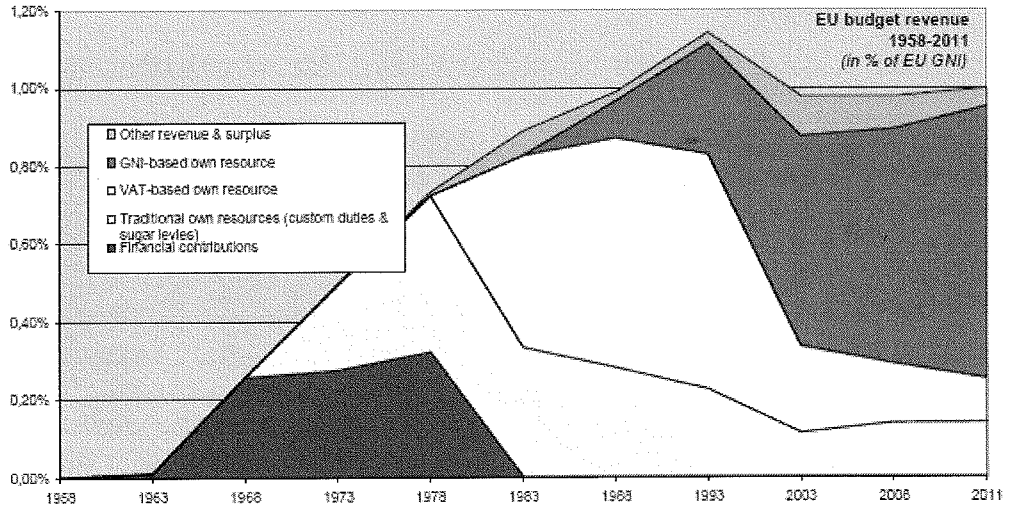
NUMBER (COM):	COM (2011)0737
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

This regulation is necessary to define the method Member States should use to calculate this new resource as well as the procedures for making it available to the EU budget (see further information under section III of the current working document).

B. Historical evolution/ development of the VAT own resource

In the late 1970s, the VAT started as a budget balancing item to pay for EU expenditure that could not be covered by the traditional own resources (TOR). Then between 1983 and 1993 it became the biggest source of revenue for the EU budget, until it was replaced from this leading position by the GNI contributions.

Graph 1 – Structure of EU financing 1958-2011



Source: DG Budget, European Commission

Own Resources Decision I (1970)

In 1970 the Treaty of Luxembourg expanded the EP's budgetary power and replaced member state contributions with "the Communities' own resources" - customs duties, agricultural levies and an annually adjusted percentage of the harmonized VAT base. In fact, the Own Resources Decision of 21 April 1970 provided the Community with its first own resources.

At that time, the VAT revenue was the budget-balancing resource covering the remainder between what could not be financed by agricultural levies and import duties and Community expenditure (like the GNI own resource today).

Basic features of the VAT in ORD I:

Although provided for in the 1970 Decision, the VAT resource was not applied until the VAT systems of the Member States were harmonised (1979) through the "Sixth VAT Directive". Thus, the first VAT revenues started flowing into the EU budget in 1980.

The VAT own resource of the 1970 decision consisted in the transfer to the Community of a percentage of the estimated VAT collected by the Member States (MS). The percentage was determined annually within the budgetary procedure. In other words, if the percentage to accrue to the EU budget was set at 0.50%, and the national VAT rate was 20% in a given MS, then 0.50% of the value of the product or service subject to VAT was allocated to the EEC, and 19.50% was directed towards the budget of the Member State itself. Members had absolute freedom over determining their VAT rate and they could choose between the declaration method (the customer could see on each invoice how much s/he was paying into the EU budget) and the statistical method for making the VAT contribution available to the EU budget. Although the declaration method was more precise, ultimately only the statistical method was used. In its essence, the statistical method is used to calculate the statistical harmonised VAT bases in order to compensate for differences in national VAT regimes due to incomplete harmonisation of VAT at EU level.

The 1970 Decision limited the maximum call-in rate of VAT to 1% of the base and it was maintained until 1985.

Own Resources Decision II (1985) and the British Correction

In 1985 the Council raised the VAT ceiling to 1.4% to accommodate the costs of the 1986 enlargement. The rest of the system for calculating the VAT own resource remained unchanged.

The British Rebate - The Fontainebleau agreement of 1984 gave the UK a rebate on the difference of its VAT revenue share and its share of Community expenditure. It meant a reduction on UK's VAT base, which was to be paid by all the other Member States in proportion to their VAT transfers, with the exception of Germany, which was granted a 1/3 reduction to its share towards the British correction.

The end result was the creation of 3 VAT percentages - one for the UK, one for Germany and one for the other Member States. These were supposed to be transitional measures but in fact remain in force until today.

Own Resources Decision III (1988)

No change for the method for calculation of the VAT own resource.

From 1988 to 1994 the VAT base could not exceed 55% of the Member States' gross national product (GNP).

Own Resources Decision IV (1994)

In 1994, the fourth decision on the own resources system was adopted, whereby the maximum VAT transfer was gradually reduced back from 1.4% to 1% and it was not varying according to the size of the budget anymore but was a fixed percentage.

After 1995 the limit was lowered to 50% of GNP for Member States with a per capita GNP below 90% of the Community average. Between 1995 and 1999 the new limit was gradually extended and now applies to all the Member States.

Own Resources Decision V (2000)

The VAT maximum percentage was reduced from 1% to 0.75% and further brought down to 0.50% in 2004. The VAT base was capped at 50% of the GNI of Member States.

Germany, the Netherlands, Austria and Sweden pay only 1/4 of their normal share of the cost of the UK rebate. The remaining 3/4 are financed by the other Member States. Furthermore, two technical adjustments were made to the UK rebate to offset the unexpected effects arising from the increase in collection costs and pre-accession expenditure.

6. Own Resources Decision VI (2007)

In the 2007 Own Resources Decision the rate of call for the VAT own resource was frozen at 0.3% and it was reduced for Austria (0,225%), Germany (0,15%) the Netherlands and Sweden (0,1%) for the period 2007-2013.

The rebate for the UK is kept, however it is reduced by certain phased-in payments to accommodate the costs of enlargement[2]. After a phasing-in period between 2009 and 2011, the United Kingdom started to participate fully in the financing of the costs of enlargement, except for agricultural direct payments and market-related expenditure, and the corresponding part of rural development expenditure.

C. Presentation of the current VAT Own Resource (including link between VAT and rebates)

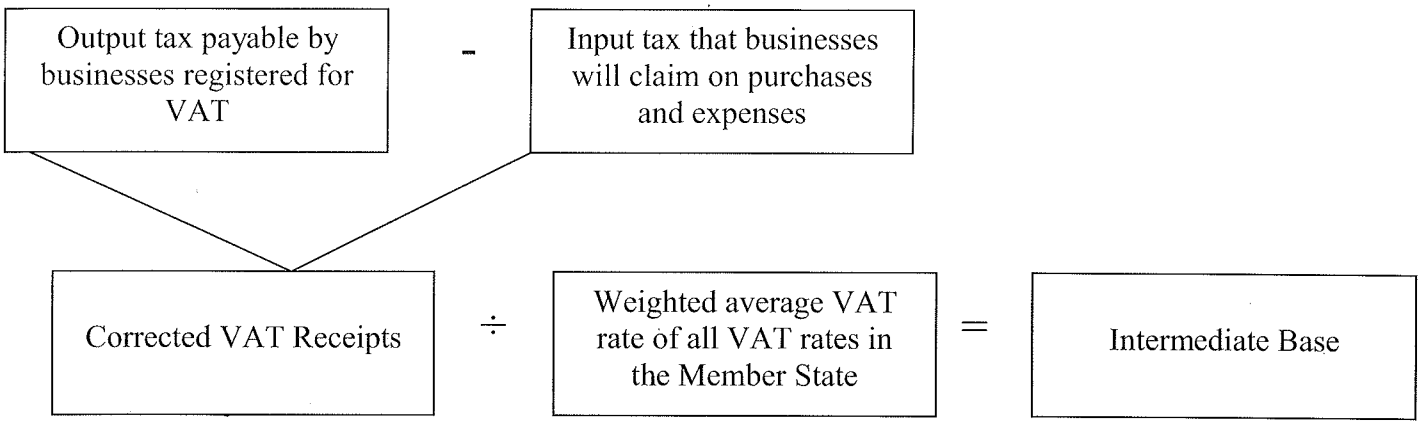
1. Method of Calculation of the current VAT OR

[2] In more detail, the calculation of the UK rebate shall be adjusted by reducing total allocated expenditure by total allocated expenditure in Member States that have acceded to the EU after 30 April 2004, except for agricultural direct payments and market-related expenditure. During the period 2007-2013 the additional contribution of the United Kingdom resulting from the reduction of allocated expenditure related to the accession of new MS to the EU shall not exceed EU- 10,5 billion, measured in 2004 prices. If the ceiling of EU-10,5 billion is exceeded, the United Kingdom's contribution shall be reduced accordingly. In the event of further enlargements before 2013 this ceiling shall be adjusted accordingly.

The VAT is levied on a "virtual" basis (the so-called VAT harmonised base), which is created in order to compensate for differences in national VAT regimes due to incomplete harmonisation of VAT at EU level.

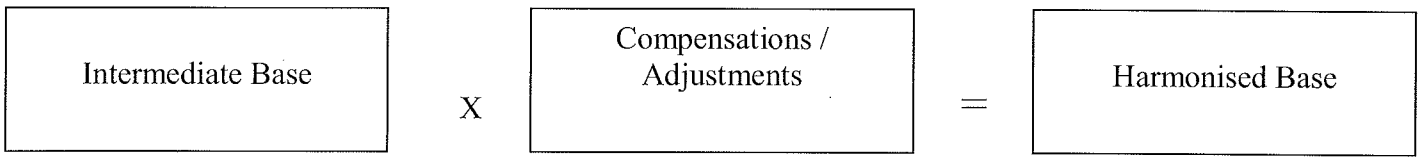
The procedure of calculating the current VAT OR can be summarised in the following steps:

Step I: Calculation of the Intermediate Base



- The starting point is the total amount of **net VAT tax collected in each Member state** (output tax that businesses pay to the State minus input tax that businesses will claim back from the State);
- The Commission calculates the Member State's **intermediate national VAT base** by dividing this net total ("corrected VAT Receipts") by a weighted average of the rates at which VAT is charged on different products or services in the Member State;

Step II: Calculation of the Harmonised Base



- The **harmonised base** is created following adjustments of the intermediate national base either to the net revenue collected (known as 'corrections') or to the VAT base (known as 'financial compensations') according to the Sixth Council Directive 77/388/ EEC of 17 May 1977 and subsequent amendments. This implies, once again, that statistical elements are used in the calculation of the VAT base rather than fiscal data.to produce the harmonised base;

Step III: Capping of the Harmonised Base

- Furthermore, the **harmonised VAT base is 'capped', where applicable, at 50 % of each Member States' GNI**. The capping of the VAT was meant to

6

ensure that less wealthy Member States, where consumption (and, therefore, VAT) tend to account for a higher percentage of national income, are not penalised by contributing disproportionately to the EU budget. This traditional view about the "regressive" character of the VAT resource is challenged, however, by a factual analysis based on recent VAT data. Six Member States (Ireland, Cyprus, Luxembourg, Malta, Portugal and Slovenia) are expected to have their VAT base capped in 2011

Step IV: Calculation of the VAT own resource contribution per Member State

Harmonised Base	X	Standard call in rate of 0.3% (subject to exceptions)	=	Revenue from VAT for the EU Budget

- A **uniform rate of call equal to 0.3%** is levied on the harmonised VAT bases of Member States to calculate their contributions to the EU budget.

Step V: Corrections and rebates

UK rebate: The basic principle of the UK correction, which remained unchanged over the various revision of the ORD, is to reimburse the UK with 66% of the difference between what it pays to the EU budget (except TOR) and what it receives from the budget. Technically, the correction is established calculating the difference between the percentage share of the UK in the sum of uncapped VAT assessment bases and the percentage share of the UK in total allocated expenditure. This difference is then multiplied by total allocated expenditure and the result is multiplied by 0.66.

Reduced call rates: For 2007–2013 instead of the standard 0.30%, the rate of call is reduced for Austria - 0.225%, Germany - 0.15%, the Netherlands and Sweden - 0.1%.

2. Assessment of the current system

2.1. VAT not a real own resource any more. While initially the idea of the VAT own resource was to be a source of genuine EU revenue for the budget, today it is seems to be another form of national contribution. Furthermore, VAT revenue is not accrued directly to the EU budget but constitutes a transfer that Member States make from their own treasuries.

2.2. Complexity. The Court of Auditors has criticised as "complex to the point of incomprehensibility" and simply "not fully auditable"[3]. Besides the obvious complexity linked to the method of calculating the VAT OR as described above, the tax base uses all possible VAT rates on goods and services in any given

[3] Response by the European Court of Auditors to the Commission's communication 'Reforming the Budget, Changing Europe'

Member State and not for example just goods or services subject to the standard rate.

2.3. Opacity. The current VAT own resource is not transparent and remains fully inexplicable to European citizens. The VAT resource has progressively changed from a genuine own resource with a strong direct link to European citizens to a purely statistical device for calculating a de facto national contribution. The VAT-based resource has become obsolete after the introduction of the GNI-based resource.

2.4. High administrative costs on the Member States. The current VAT system places a high administrative burden on Member States, as they have to perform a range of complex statistical calculations in order to calculate the VAT share they have to submit to the EU budget.

2.5. Many rebates and corrections. The current system of rebates and corrections to rebates is excessively complex. Currently, there are four different rates of call, while the British rebate is largely also linked to the VAT own resource.

D. Commission proposal on a VAT own resource

1. Abolition of the current VAT own resource

In its proposal for a Council Decision on the system of own resources of the European Union[4] of 29 June 2011 the Commission proposed to abolish the current VAT own resource and replace it with a new one. The existing VAT mechanism is to be eliminated on 31 December 2013. If the Own Resources Decision or the new VAT Regulation enters into force later, this provision will be enacted retroactively.

In case no new own resources are adopted to replace the eliminated VAT system the only revenue for the EU budget would remain the traditional own resources (customs duties and levies) and the GNI contributions.

2. Proposal for a new EU VAT own resource

The new EU VAT own resource is based on a share of the VAT on supplies of good and services, acquisitions and importations "subject to a standard rate of VAT in every Member State". It moves, therefore, from a theoretical concept of the statistically-estimated current VAT to the actual harmonisation that already exists in those good and services with a standard rate across the EU. In addition, the new system moves the largest share of calculations currently done by Member States to the European Commission.

2.1. Method of Calculation of the new VAT OR

The new procedure can be set out in the following steps:

[4] COM (2011) 510

6

Step I: Adjusted VAT receipts

Actual VAT receipts for a given month	—	Adjustments by some Member States	=	Adjusted VAT receipts

- The method uses as starting point the **actual VAT receipt figures** held by the Member States;
- Several Member States would need to correct figures to exclude, for instance, interest and penalties or make adjustment to take account of the overseas territories or the specific VAT treatment granted.

Step II: Apply "uniform percentage" to adjusted VAT receipts

Adjusted VAT receipts	X	Uniform Percentage	=	Assumed VAT receipts from standard rated supplies to final consumption

- The **uniform percentage** is a single percentage applicable all over the EU. It will be calculated by dividing the EU-wide average proportion of VAT receipts accruing from standard-rated supplies by final consumption (made to households and entities not subject to deduct the VAT they have been charged) in all Member States. It will be calculated via a major statistical study undertaken by the Commission in close cooperation with the Member States and will be set for the whole MFF period.

Step III: Calculate VAT own resources base

Assumed VAT receipts from standard rated supplies to final consumption	÷	Standard VAT rate applied in the Member State	=	VAT own resources (standard rate) base

- The value of the "assumed VAT receipts" should be divided by the actual **standard-rate applied in the country** (this standard rate varies between Member States - it should be a percentage between 15 and 27%). This will create the VAT own resources base.

Step IV: Calculate the monthly VAT OR contribution

VAT own resources base	X	Percentage set out in the implementing Council Regulation	=	VAT own resources monthly contribution of the Member State

- A percentage set out in the implementing Council Regulation on own resources[5] should be applied to the actual value of the VAT own resources base (maximum rate (2%) is set in ORD with operative rate (1%) in implementing Regulation).
- This will determine the VAT OR monthly contribution of the Member State.

The Commission proposes the following simplified numerical example to illustrate the different steps of the procedure (on purely indicative values):

	Parameter	*A Member State*
A	**Actual VAT receipts before adjustments**	**10,2 billion**
B	**Adjustments**	**0,2 billion**
C	**Net VAT receipts after adjustments (A)-(B)**	**10 billion**
D	**Uniform percentage**	**40%**
E	**Apply uniform percentage (E)=(C)x(D)**	**4 billion**
F	**Standard rate applied in Member State**	**20%**
G	**Value of EU standard-rated supplies in MS (E/F)**	**20 billion**
H	**Share set out in COM(2011)740**	**1%**
	New VAT own resource =(H)x(I)	**0,2 billion**

2.2. Rebates in the Commission proposal

In the framework of the overall reform of the own resource system the Commission proposes to put to an end all existing correction mechanisms as of 1 January 2014, and to replace them by temporary corrections in the form of lump sum gross reductions in annual GNI-based contributions during the period 2014-2020 for the following Member States:

- EUR 2 500 million for Germany,
- EUR 1 050 million for the Netherlands,
- EUR 350 million for Sweden,
- EUR 3 600 million for the United Kingdom.

[5] COM(2011)740

3. Assessment of the new EU VAT own resource

Advantages

- A significantly simpler VAT calculation, which no longer requires the calculation of:
  - a weighted average VAT rate,
  - an intermediate base calculation,
  - any of the compensations to the intermediate base currently required.

- More transparent: only goods and services taxed by the standard VAT rate in all MS will be used for the calculation and only real actual receipts obtained by Members will be used.
- There will be less corrections to the VAT base for some Member States (only fines and penalties, refunds to non-taxable persons, receipts from non-EU territories, account for multiple standard rates), compared to the currently existing 22 compensations.
- There will be no compensations given that only goods and services taxed with the standard VAT rate will be used for the calculations.
- Equal treatment of all EU Member States - there will be a uniform percentage applicable to all Member States, contrary to the current different call in rates
- Less administrative burden on Member States. This will be largely assumed by the European Commission.
- Focus on materiality. The new resource will be based on actual receipts and not statistics.
- No capping will be applied.
- It seems to be reliable and predictable over time.
- It is flexible to adapt to any future reform of the VAT tax without any changes be introduced to the current OR proposal.

Disadvantages

- Still relatively complicated methodology done in 4 steps, involving complex calculations
- More administrative burden for the Commission
- The proposed simplification of the calculation method might not be able to taken into account the differences between the VAT systems existing in Member States.
- The new VAT will still not be an own resource directly accruing to the EU budget but will pass through national treasuries.

4. Situation in the Council

The Commission proposal for making available the own resource based on the VAT[6] is part of the Council negotiating box, which is to be discussed and adopted by the General Affairs Council and submitted to the June European Council.

[6] COM (2011) 737 final of 9.11.2011

Concerning the legislative work on the Own Resources Decision per se, ECOFIN is in the lead but this will only be of practical relevance once the MFF/ OR package is agreed on the Council side (under the Friends of Presidency - Coreper II - GAC - European Council-channel), and the legislative work can be further pursued.

According to the conclusions of the latest Coreper meeting of 16 May 2012, there is a broad consensus in the Council on the idea that the present VAT own resource should be abolished.

A number of Member States seem to be in favour of the new Commission proposal (IT, EE, SL), while several countries require additional information as to what will be the impact of this new resource on their net contributions to the EU budget.

Some Member States also are reported to be in favour of abolishing the current VAT without replacing it by a new own resource (notably DE, SK, some of the Baltic countries).

The conclusions of the GAC of 29 May 2012 show that a majority of the Member States are in favour of bringing an end to the current own resources based on VAT, but Member States are divided over plans to create new VAT-based own resources.

In the context of Council negotiations on the own resources package it is also important to consider the expiry of some of the existing rebates and their influence on the positions of some Member States:

The currently applicable Own Resources Decision (ORD (2007)) stipulates that the following correction mechanisms will seize to be applied after 31 December 2013:

⇒ The reduced VAT resource for Austria, Germany, the Netherlands and Sweden mentioned in Article 2.4 of the ORD;

⇒ The reduction in GNI contributions for the Netherlands and Sweden for the period 2007-2013 (Article 2.5 ORD)

⇒ The progressive adjustment of the rebate calculations to take account of certain expenditures allocated to the new Member States (Article 4.1(f) ORD)

Thus, only two of the existing correction mechanisms will continue being applicable:

⇒ The UK Rebate (Article 4 ORD)

⇒ The adjusted financing of the UK rebate to restrict the shares from Austria, Germany, the Netherlands and Sweden to one fourth of their normal share (Article 5.1b ORD)

E. Conclusions

The current analysis clearly demonstrates the unfeasibility of the current VAT own resource due -among several other factors- to the unprecedented level of complexity that it requires. The new EU VAT own resource proposal represents undoubtedly an

6

important improvement to the current system and has serious potential to develop into a stable and reliable genuine own resource for the Union's budget.

Your rapporteur supports, therefore, the Commission proposal to abolish the current VAT own resources and to create a new EU VAT own resource. He insists, however, on the need for the Commission, following its impact assessment of the new FTT own resource on national contributions, to complete its analysis on the global effect that the reform of the own resources system can have on diminishing the GNI-based contributions of Member States to the EU budget.

Your rapporteur would like to also underline that one of the fundamental criteria of a genuine VAT own resource should be to accrue directly to the EU budget without first being collected by national administrations. Unfortunately, neither the existing system, nor the Commission proposals envisage this solution for the VAT.

Your rapporteur stresses the importance that the European Parliament attaches to the reform of the own resources system, including the relevant proposals on VAT. In its plenary resolution on the MFF and own resources of 13 June 2012, the European Parliament states that it is not prepared to give its consent to the next MFF regulation without a political agreement on reform of the own resources system.

Annex:

Excerpts From Parliament Resolutions

2.5. On the Value Added Tax

- Report on the future of the European Union's own resources[7]

D. Whereas all Parliament's efforts to use the actual VAT returns to determine the assessment base to be used for the VAT resource ("returns method") instead of the harmonised base calculated by applying an average weighted rate on the total net revenue ("revenue method") were in vain, with the result that the VAT resource changed from a genuine own resource with a strong direct link to European citizens to a purely statistical device for calculating a contribution of a Member State,

21. Notes the proposal put forward by Finland in April 2004 on replacing the current financing system of the European Union, while leaving in place traditional own resources, by a GNI based system, taking GNI shares as the basis for the Member States' contributions towards the Union's own resources, abolishing the VAT resource in its current form, as it is only a mathematical basis for calculating the national contributions, and progressively suppressing the British rebate to zero in 2013;

22. Underlines the fact that this system would have the advantage of being simple and transparent and of constituting a possible step towards the establishment of a genuine own resources system for the Union and that all Member States contributing to the UK rebate at the moment would benefit, as would the UK itself, through the abolition of the VAT resource in its current form; stresses that this does not prejudice the long-term inclusion of an altered VAT in the financing of the European Union;

2.6. On rebates and corrections

- Report on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (SURE)[8]

167. Considers that the main aim of the reform is to achieve an autonomous, fairer, more transparent, simpler and equitable financing system, which can be better understood by the citizens, and make clearer their contribution to the EU budget; calls, in this context, for an ending of existing rebates, exceptions and correction mechanisms; is convinced that the introduction of one or several genuine own resources for the Union, in order to replace the GNI-based system, is indispensable if the Union is ever to get the budget it needs to significantly contribute to financial stability and economic recovery; recalls that any change on own resources should be implemented in compliance with fiscal sovereignty of Member States; insists, in this context, that the Union should be able to collect directly its own resources independent from the national budgets;

[7] P6_TA(2007)0098, adopted 29 March 2007
[8] P7_TA-PROV(2011) 0266, adopted 8 June 2011

6

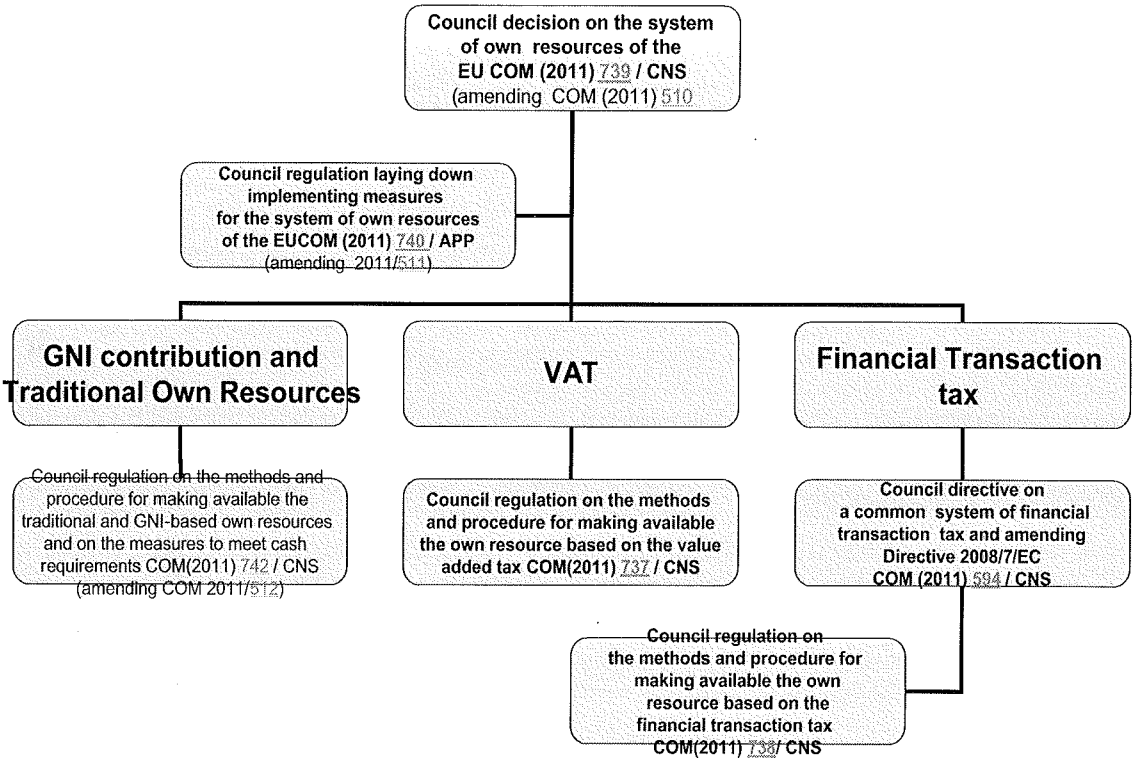
TABLE OF CONTENTS:

1. Commission Proposals and powers of the Parliament....3
1.1. General Overview....3
1.2. Commission proposal for a Council decision on the system of own resources of the EU 5
1.3. Commission proposal for a Council regulation laying down implementing measures for the system of own resources of the European Union....6
1.4. Commission proposal for a Council regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements (recast)....6
1.5. Commission proposal for a Council directive related to a common system of taxation of the financial sector....7
1.6. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on the financial transaction tax....7
1.7. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on value added tax....7
2. European Parliament Position (Excerpts from Resolutions)....8
2.1. On the shortcomings of the current financing system and the need to reform it....8
2.2. On the objectives of a reform of the system of own resources....9
2.3. On the criteria for assessment and principles for reforming the system of own resources 10
2.4. On the Financial TransactionTax....11
2.5. On the Value Added Tax....13
2.6. On rebates and corrections....14

1. Commission Proposals and powers of the Parliament

1.1. General Overview

Commission package on own ressources



6

New structure of own resources

Estimated Impact on own resources structure	DB 2012		2020	
	bil. €	% of OR	bil. €	% of OR
Traditional OR	**19,3**	**14,7**	**30,7**	**18,9**
Existing national contributions	**111,8**	**85,3**	**65,6**	**40,3**
of which				
- VAT-based OR	14,5	11,1	-	-
- GNI-based OR	97,3	74,2	65,6	40,3
New OR			**66,4**	**40,8**
of which				
- EU VAT			29,4	18,1
- EU financial transaction tax			37,0	22,7
Total own resources	**131,1**	**100,0**	**162,7**	**100,0**

© European Commission

20

1.2. Commission proposal for a Council decision on the system of own resources of the EU

NUMBER (COM):	COM (2011)739 amending proposal COM(2011) 0510
LEGAL BASIS:	Article 311 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

Categories of own resources:

The existing traditional own resources are maintained.

The current VAT resource should be repealed by 31 December 2013.

A uniform rate to the sum of GNI of all Member States (MS).

Introduction of 2 new own resources:

- A financial transaction tax (FTT) - the amount of its share shall not exceed the minimum rates set out in the FTT directive [1];
- A new VAT resource - which shall not exceed 2% of the standard rate of VAT in every Member State.

The share in the taxes and of the rate of call of own resources are determined in the Council regulation laying down the implementing measures.

Collection costs:

Set at 10% (compared to 25% today).

Ceiling of own resources:

1.23% of the sum of the MS's GNI at market price for payments
1.29% of the sum of the MS's GNI at market price for commitments

Reform of correction mechanisms

The Commission proposes to

- abolish the UK rebate and other existing rebates
- replace the existing system of rebates with a new system of lump-sums in the form of reduction in the annual GNI contributions as of January 2014 - Germany (EUR 2 500 mln), the Netherlands (EUR 1 500 mln), Sweden (EUR 350 mln) and the UK (EUR 3 600 mln)

[1] i.e.: 0.1% for financial transactions other than those pertaining to derivatives agreements and 0.01% for financial transactions related to derivatives agreements

6

1.3. Commission proposal for a Council regulation laying down implementing measures for the system of own resources of the European Union

NUMBER (COM):	COM (2011)740 amending proposal COM(2011) 0511
LEGAL BASIS:	Article 311 (4) TFEU
PROCEDURE:	Consent (QMV in the Council)
RESPONSIBLE COMMITTEE:	BUDG

This proposal sets out the applicable shares and rates for the FTT and VAT own resources, which the Commission proposes as follows:

- EU VAT: 1.0% of the net value of goods or services subject to a standard VAT in every Member State.
- FTT: 2/3 of the minimum rates set out in the FTT Directive shall be used as a share of own resources;

The proposal also defines the method of calculation of the reference GNI and of the budgetary balance.

Finally it sets all the necessary provisions concerning control and supervision.

1.4. Commission proposal for a Council regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements (recast)

NUMBER (COM):	COM (2011)742 amending proposal COM(2011) 0512
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

This proposal aims at ensuring "*cash requirements will be met under the new structure of EU financing introduced by the proposal for a Council Decision on the system of own resources of the EU and (related) new proposals*", as stated in the memorandum statement.

At first sight, there is only one substantial change proposed (article 9(3) second sub paragraph): a doubling of the number of twelfths available in advance (from 2 to 4) in the first quarter of the year, in order to cover cash requirement - due mainly to expenditure of the EAGF. This proposal derives from the new structure of own resources which foresees a decrease in the share of own resources based on a regular financial stream (decrease of the share of the GNI resource, end of the current VAT own resources).

1.5. Commission proposal for a Council directive related to a common system of taxation of the financial sector

NUMBER (COM):	COM (2011)0594
LEGAL BASIS:	Article 113 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	ECON

This proposal aims at creating a financial transaction tax at the EU level, which could then be wholly or partially used as own resource for the EU budget.

It sets out the minimum rates for the FTT: 0,1% in respect to transactions other than those related to derivatives arrangements and 0,01% in respect to transactions related to derivatives arrangements.

1.6. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on the financial transaction tax

NUMBER (COM):	COM (2011)0738
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

This proposal sets the method and the procedures for Member States to make the FTT-based own resource available to the EU budget. Doing so, it spells out the practical arrangements in respect to the accounting and administrative arrangements, the timing for making the FTT own resources available (system of monthly statements), interest in cases of delay, etc. It also proposes the setting of a committee procedure (advisory committee on own resources) in connection with implementing powers proposed to be given in parallel to the Commission to ensure uniform conditions for the implementation of this regulation.

1.7. Commission proposal for a Council regulation on the methods and procedure for making available the own resource based on value added tax

NUMBER (COM):	COM (2011)0737
LEGAL BASIS:	Article 322 TFEU
PROCEDURE:	Consultation
RESPONSIBLE COMMITTEE:	BUDG

This regulation is necessary to define the method Member States should use to calculate this new resource as well as the procedures for making it available to the EU budget. Consequently, it sets a new calculation and, as in the proposal for a Council Regulation on the methods and procedure for making available the own resource based on the financial transaction tax, this text sets also the procedures for member states to make the EU VAT available: practical arrangements in respect to the accounting and administrative arrangements, the timing for making the VAT own resources available (system of monthly

6 statements), interest in cases of delay, and also proposes the setting-up of a committee procedure (advisory committee on own resources).

2. European Parliament Position (Excerpts from Resolutions)

2.1. On the shortcomings of the current financing system and the need to reform it

- Resolution on the ongoing negotiations on the 2011 budget[2]

1b. A commitment by the Commission to present by 1 July 2011 substantive proposals, based on Article 311 of the TFEU, on new own resources for the EU, and a commitment by the Council to discuss these proposals with Parliament within the negotiating process for the next multiannual financial framework (MFF), in line with Declaration No 3 on the Review of the Financial Framework of the IIA of 17 May 2006;

- Resolution on the Parliament's position on the next 2011 draft budget as modified by the Council[3]

2. Considers the way the EU system of own resources has evolved, gradually being replaced by national contributions and consequently being perceived as an excessive burden on national public finances, renders its reform more necessary than ever; takes note of the Commission's Declaration; reiterates nevertheless the importance of the Commission presenting by 1 July 2011 substantive proposals for new own resources for the EU, based on Article 311 TFEU, and calls for a commitment by the Council to discuss these proposals with Parliament within the negotiating process for the next multiannual financial framework (MFF), in line with Declaration No. 3 of the Interinstitutional Agreement of 17 May 2006;

- Resolution of 6 July 2011 on the Commission Work Programme 2012[4]

1. Recalls that the EU budget needs to reflect the EU's policy priorities; reiterates the need to introduce new own resources and to increase investment at EU level to help achieve the objectives of the EU2020 Strategy;

4. Urges the Council and Commission to comply with the Treaty of Lisbon and make every effort to swiftly reach an agreement with Parliament on a practical working method for the next MFF negotiating process; recalls the link between a reform of revenue and a reform of expenditure, and calls, accordingly, for a firm commitment to discuss, in the context of the next MFF negotiations, the proposals on new own resources;

- Report on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (SURE)[5]:

[2] P7_TA-PROV(2010)0433, adopted on 25 November 2010
[3] P7_TA-PROV(2010)0475, adopted on 15 December 2010
[4] P7_TA-PROV(2011)0327, adopted on 6 July 2011
[5] P7_TA-PROV(2011) 0266, adopted 8 June 2011

166. Recalls that according to the Treaty of Lisbon 'without prejudice to other revenue, the budget shall be financed wholly from own resources'; stresses that the way the system of own resources has evolved, gradually replacing genuine own resources by the so-called 'national contributions', places disproportionate emphasis on net-balances between Member States thus contradicting the principle of EU solidarity, diluting the European common interest and largely ignoring European added value; strongly calls, therefore, for an in-depth reform of EU resources in order to realign the financing of the EU budget with the spirit and requirements of the Treaty;

169. Stresses that the European Parliament is the only parliament who has a say on the expenditures side but not on the revenues side; therefore emphasises the crucial need for a democratic reform of EU resources;

- Report on the future of the European Union's own resources[6]:

1. Points out that a system in which approximately 70% of the Union's revenue do not originate in own resources but come directly from the national budgets through the GNI resource, and 15% come from a resource such as the percentage of the VAT rate which cannot be regarded (on account of the way in which it is determined) as being in every respect an EU own resource, departs from the provisions and the spirit of the Treaty of Rome;

3. Is deeply convinced that the current system of own resources based on Member States' contributions is both unfair to the general public and anti-democratic, and does not help to highlight the commitment to European integration; furthermore, such a system, since it makes the contribution to the European Union be perceived as an additional burden on national budgets, does not provide the Union with sufficient funds for all its policies; is highly critical of the possibilities being created for individual countries to finance officially only the policies in which they have an interest; fears that this might be the beginning of the destruction of the values that have characterised the European Union's success over the past 50 years;

4. Stresses that the current system, with its four different resources and its several different rebate mechanisms, be they general ones in favour of one Member State such as the British rebate, or special ones such as rebates in financing other rebates, is excessively complex, lacks transparency and is completely incomprehensible to European citizens; underlines that it does nothing towards fulfilling the requirement of establishing a direct link between the Union and its citizens;

2.2. On the objectives of a reform of the system of own resources

- Report on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (SURE)

167. Considers that the main aim of the reform is to achieve an autonomous, fairer, more transparent, simpler and equitable financing system, which can be better understood by the citizens, and make clearer their contribution to the EU budget; calls, in this context, for an ending of existing rebates, exceptions and correction mechanisms; is convinced that the introduction of one or several genuine own resources for the Union, in order to replace the GNI-based system, is indispensable if the Union is ever to get the budget it needs to

[6] P6_TA(2007)0098, adopted 29 March 2007

6 *significantly contribute to financial stability and economic recovery; recalls that any change on own resources should be implemented in compliance with fiscal sovereignty of Member States; insists, in this context, that the Union should be able to collect directly its own resources independently from the national budgets;*

- Report on the future of the European Union's own resources

10. Acknowledges the fact that any reform of the own resources system will be a sensitive and difficult exercise, to be conducted with the involvement of the Member States' parliaments; calls therefore for a progressive approach which could be introduced in two stages but which should form part of a single decision on account of the fact that the laborious Community procedure would make it impossible for two decisions to be taken within a relatively short period of time. The provisional and transitional first phase would lead to an improvement of the current system of national contributions, for which the following political principles should be applied:

- *equality between Member States*
- *simplicity of presentation for elected representatives and citizens alike*
- *solidarity and equal dignity amongst Member States*
- *establishment of a political link between a reform of revenue and a review of expenditure as it is already correctly included in the Interinstitutional Agreement;*

2.3. On the criteria for assessment and principles for reforming the system of own resources

- Report on the future of the European Union's own resources

28. Considers the following principles, which have emerged in all contacts with national parliaments, as cornerstones for any future own resources system:

- *Full respect for the principle of fiscal sovereignty of the Member States*
- *Fiscal neutrality*
- *No changes to the order of magnitude of the EU budget*
- *Progressive phasing-in of the new system*
- *Establishment of a clear political link between a reform of revenue and a reform of expenditure;*

41. Considers that the suitability of a new system of own resources should be judged according to the following criteria:

- *Sufficiency: Would the revenues be sufficient to cover the expenditures of the EU in the long run?*
- *Stability : Would the system bring about stable revenues for the EU budget?*
- *Visibility and simplicity: Would it be visible to EU citizens and would it be understood by them?*
- *Low operating costs: Would it be simple to administer and involve low compliance costs?*

- *Efficient allocation of resources: Would it lead to an efficient allocation of resources in the EU?*
- *Vertical equity: Would it involve income redistribution?*
- *Horizontal equity: Would it have an equal impact on equivalent taxpayers across the EU?*
- *Fair contributions: Would this resource raise revenues from the Member States in line with their economic strength?*

2.4. On the Financial TransactionTax

- Report on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (SURE)

Q. Whereas, In its resolution of 8 March 2011 on innovative financing at global and European level, the European Parliament approved the introduction of a Financial Transaction Tax (FTT), which 'could help to tackle the highly damaging trading patterns in financial markets, such as some short-term and automated high-frequency trade transactions, and curb speculation',

171. Considers that an FTT could constitute a substantial contribution, by the financial sector, to the economic and social cost of the crisis, and to public finance sustainability; is of the opinion that an FTT could also contribute partially to the financing of the EU budget, as well as to lowering Member States' GNI contributions and that the Union should also act as an exemplar in relation to the movement of funds towards fiscal havens;

- Report on the future of the European Union's own resources

37. Stresses, however, that it will be vital in a second phase to examine the creation of a new system of own resources based on a tax already levied in the Member States, the idea being that this tax, partly or in full, would be fed directly into the EU budget as a genuine own resource, thus establishing a direct link between the Union and European taxpayers; points out that this would also serve to approximate national tax laws; underlines that this kind of solution would only mark a return to the principle laid down by the Treaty of Rome, whereby European expenditure has to be financed by European own resources;

- Resolution on the Financial Transaction Tax[7]

B. whereas Parliament has called for speedy progress to ensure that the financial sector contributes fairly towards economic recovery and development since substantial costs and consequences of the financial crisis are being borne by the real economy, taxpayers, consumers, public services and society in general,

D. whereas several Member States have called for a financial transaction tax,

H. whereas taxes and levies on financial transactions exist in different forms in the Member

[7] P7 TA (2010)0056, adopted on 10 March 2010

6 *States; whereas these national taxes and duties usually cover only transactions of selected assets; whereas Belgium and France have adopted legislation on a currency transaction tax at national level, but will only put it into effect if implemented at EU level,*

- Report on innovative financing at global and European level[8]

A. whereas the unprecedented global financial and economic crisis in 2007 revealed *significant dysfunctions in the regulatory and supervisory framework of the global financial system, which can be described as the combination of unregulated financial markets, overly complex products and non-transparent jurisdictions; whereas Europe needs more transparent and efficient financial markets,*

K. whereas the crisis has highlighted the need to raise new, broad-based, fair and sustainable revenues and to enforce existing laws on tax evasion and improve their effectiveness in order to ensure that fiscal consolidation is effectively combined with long-term economic recovery and the sustainability of public finances, job creation and social inclusion, which are key priorities of the EU 2020 agenda,

M. whereas on 17 June 2010 the European Council stated that the EU should lead efforts to establish a global approach to the introduction of systems of levies and taxes on financial institutions and called for the issue of the introduction of a global financial transaction tax (FTT) to be explored and further developed,

8. Stresses that one of the main advantages of innovative financing tools is that they can bring a double dividend, as they can at the same time contribute to the achievement of important policy goals, such as financial market stability and transparency, and offer significant revenue potential; stresses, in this context, that the effects of these tools on the negative externalities produced by the financial sector should also be taken into account;

12. Welcomes the Commission's recognition that the financial sector is under-taxed, in particular because no VAT is levied on most financial services, and calls for innovative financing measures to raise more from this sector and contribute to shifting the burden of taxation away from working people;

13. Considers that the introduction of an FTT could help to tackle the highly damaging trading patterns in financial markets, such as some short-term and automated HFT transactions, and curb speculation; stresses that an FTT would thus have the potential to improve market efficiency, increase transparency, reduce excessive price volatility and create incentives for the financial sector to make long-term investments with added value for the real economy;

14. Emphasises the current revenue estimates for a low-rate FTT, which could, with its large tax base, yield nearly EUR 200 billion per year at EU level and $650 billion at global level; considers that this could constitute a substantial contribution by the financial sector to the cost of the crisis and to public finance sustainability; stresses that, owing to its global nature, the revenue raised by a global FTT should be used to provide financing for global policy

[8] P7 TA (2011)0080, adopted on 8 March 2011

goals, such as development and poverty reduction in developing countries and the fight against climate change;

31. Notes the Commission's aim to increase the volume of the EU budget through the use of innovative financial instruments and recognises the potential benefits of leveraging private sector funding with public money; is aware, however, that the use of special purpose vehicles for financing projects can result in increased contingent liabilities; believes, therefore, that such measures should be accompanied by fully transparent disclosure combined with appropriate investment guidelines, risk management, exposure limits and scrutiny and surveillance procedures, all to be established in a democratically accountable manner;

- Report on the effects of the global financial and crisis on developing countries and on development cooperation[9]

30. Firmly believes that taxing the banking system would be a fair contribution from the financial sector to global social justice; calls also for an international levy on financial transactions to make the overall tax system more equitable and to generate additional resources for financing development and global public goods, including adaptation of developing countries to cope with and mitigate climate change and its impact;

2.5. On the Value Added Tax

- Report on the future of the European Union's own resources

D. Whereas all Parliament's efforts to use the actual VAT returns to determine the assessment base to be used for the VAT resource ("returns method") instead of the harmonised base calculated by applying an average weighted rate on the total net revenue ("revenue method") were in vain, with the result that the VAT resource changed from a genuine own resource with a strong direct link to European citizens to a purely statistical device for calculating a contribution of a Member State,

21. Notes the proposal put forward by Finland in April 2004 on replacing the current financing system of the European Union, while leaving in place traditional own resources, by a GNI based system, taking GNI shares as the basis for the Member States' contributions towards the Union's own resources, abolishing the VAT resource in its current form, as it is only a mathematical basis for calculating the national contributions, and progressively suppressing the British rebate to zero in 2013;

22. Underlines the fact that this system would have the advantage of being simple and transparent and of constituting a possible step towards the establishment of a genuine own resources system for the Union and that all Member States contributing to the UK rebate at the moment would benefit, as would the UK itself, through the abolition of the VAT resource in its current form; stresses that this does not prejudice the long-term inclusion of an altered VAT in the financing of the European Union;

[9] P7 TA (2010) 0089, adopted on 25 March 2010

6

2.6. On rebates and corrections

- Report on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (SURE)

167. Considers that the main aim of the reform is to achieve an autonomous, fairer, more transparent, simpler and equitable financing system, which can be better understood by the citizens, and make clearer their contribution to the EU budget; calls, in this context, for an ending of existing rebates, exceptions and correction mechanisms; is convinced that the introduction of one or several genuine own resources for the Union, in order to replace the GNI-based system, is indispensable if the Union is ever to get the budget it needs to significantly contribute to financial stability and economic recovery; recalls that any change on own resources should be implemented in compliance with fiscal sovereignty of Member States; insists, in this context, that the Union should be able to collect directly its own resources independent from the national budgets;

- Report on the future of the European Union's own resources

4. Stresses that the current system, with its four different resources and its several different rebate mechanisms, be they general ones in favour of one Member State such as the British rebate, or special ones such as rebates in financing other rebates, is excessively complex, lacks transparency and is completely incomprehensible to European citizens; underlines that it does nothing towards fulfilling the requirement of establishing a direct link between the Union and its citizens;

Members



Alain LAMASSOURE

Chair

Group of the European People's Party (Christian Democrats)

France Union pour un Mouvement Populaire



Jutta HAUG

Vice-Chair

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Germany Sozialdemokratische Partei Deutschlands



George LYON

Vice-Chair

Group of the Alliance of Liberals and Democrats for Europe

United Kingdom Liberal Democrats Party



Jean-Luc DEHAENE

Vice-Chair

Group of the European People's Party (Christian Democrats)

Belgium Christen-Democratisch & Vlaams



Ivailo KALFIN

Vice-Chair

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Bulgaria Coalition for Bulgaria



Marta ANDREASEN

Member

Europe of freedom and democracy Group

United Kingdom United Kingdom Independence Party



Richard ASHWORTH

Member

European Conservatives and Reformists Group

United Kingdom Conservative Party



Francesca BALZANI

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Italy Partito Democratico



Reimer BÖGE

Member

Group of the European People's Party (Christian Democrats)

Germany Christlich Demokratische Union Deutschlands



Zuzana BRZOBOHATÁ

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Czech Republic Česká strana sociálně demokratická



Jean Louis COTTIGNY

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

France Parti socialiste



Andrea COZZOLINO

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Italy Partito Democratico



Isabelle DURANT

Member

Group of the Greens/European Free Alliance

Belgium Ecologistes Confédérés pour l'Organisation de Luttes Originales



James ELLES

Member

European Conservatives and Reformists Group

United Kingdom Conservative Party



Göran FÄRM

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Sweden Arbetarepartiet- Socialdemokraterna



José Manuel FERNANDES

Member

Group of the European People's Party (Christian Democrats)

Portugal Partido Social Democrata



Eider GARDIAZÁBAL RUBIAL

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Spain Partido Socialista Obrero Español



Salvador GARRIGA POLLEDO

Member

Group of the European People's Party (Christian Democrats)

Spain Partido Popular



Jens GEIER

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Germany Sozialdemokratische Partei Deutschlands



Ivars GODMANIS

Member

Group of the Alliance of Liberals and Democrats for Europe

Latvia Latvijas Pirmā Partija/Latvijas Ceļš



Ingeborg GRÄSSLE

Member

Group of the European People's Party (Christian Democrats)

Germany Christlich Demokratische Union Deutschlands



Lucas HARTONG
Member

NI Non-attached Members

Netherlands Partij voor de Vrijheid



Monika HOHLMEIER
Member

Group of the European People's Party (Christian Democrats)

Germany Christlich-Soziale Union in Bayern e.V.



Sidonia Elżbieta JĘDRZEJEWSKA
Member

Group of the European People's Party (Christian Democrats)

Poland Platforma Obywatelska



Anne E. JENSEN
Member

Group of the Alliance of Liberals and Democrats for Europe

Denmark Venstre, Danmarks Liberale Parti



Sergej KOZLÍK
Member

Group of the Alliance of Liberals and Democrats for Europe

Slovakia Ľudová strana - Hnutie za demokratické Slovensko



Jan KOZŁOWSKI
Member

Group of the European People's Party (Christian Democrats)

Poland Platforma Obywatelska



Giovanni LA VIA
Member

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



Barbara MATERA
Member

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



Claudio MORGANTI
Member

Europe of freedom and democracy Group

Italy Lega Nord



Jan MULDER
Member

Group of the Alliance of Liberals and Democrats for Europe

Netherlands Volkspartij voor Vrijheid en Democratie



Vojtěch MYNÁŘ
Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Czech Republic Česká strana sociálně demokratická

7



Juan Andrés NARANJO ESCOBAR

Member

Group of the European People's Party (Christian Democrats)

Spain Partido Popular



Nadezhda NEYNSKY

Member

Group of the European People's Party (Christian Democrats)

Bulgaria Blue Coalition



Vladimír REMEK

Member

Confederal Group of the European United Left - Nordic Green Left

Czech Republic Komunistická strana Čech a Moravy



Dominique RIQUET

Member

Group of the European People's Party (Christian Democrats)

France Parti Radical



Potito SALATTO

Member

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



Alda SOUSA

Member

Confederal Group of the European United Left - Nordic Green Left

Portugal Bloco de Esquerda



László SURJÁN

Member

Group of the European People's Party (Christian Democrats)

Hungary Fidesz-Magyar Polgári Szövetség-Kereszténv Demokrata Néppárt



Helga TRÜPEL

Member

Group of the Greens/European Free Alliance

Germany Bündnis 90/Die Grünen



Derek VAUGHAN

Member

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

United Kingdom Labour Party



Angelika WERTHMANN

Member

Group of the Alliance of Liberals and Democrats for Europe

Austria -



Jacek WŁOSOWICZ

Member

Europe of freedom and democracy Group

Poland Solidarna Polska

Substitutes



François ALFONSI

Substitute

Group of the Greens/European Free Alliance

France Partitu di a Nazione Corsa



Alexander ALVARO

Substitute

Group of the Alliance of Liberals and Democrats for Europe

Germany Freie Demokratische Partei



Burkhard BALZ

Substitute

Group of the European People's Party (Christian Democrats)

Germany Christlich Demokratische Union Deutschlands



Bastiaan BELDER

Substitute

Europe of freedom and democracy Group

Netherlands Staatkundig Gereformeerde Partij



Bendt BENDTSEN

Substitute

Group of the European People's Party (Christian Democrats)

Denmark Det Konservative Folkeparti



Jean-Luc BENNAHMIAS

Substitute

Group of the Alliance of Liberals and Democrats for Europe

France Mouvement Démocrate



Vito BONSIGNORE

Substitute

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



Franziska Katharina BRANTNER

Substitute

Group of the Greens/European Free Alliance

Germany Bündnis 90/Die Grünen



Maria Da Graça CARVALHO

Substitute

Group of the European People's Party (Christian Democrats)

Portugal Partido Social Democrata



Frédéric DAERDEN

Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Belgium Parti Socialiste



Arnaud DANJEAN

Substitute

Group of the European People's Party (Christian Democrats)

France Union pour un Mouvement Populaire

7



Derk Jan EPPINK
Substitute
European Conservatives and Reformists Group
Belgium Lijst Dedecker



Hynek FAJMON
Substitute
European Conservatives and Reformists Group
Czech Republic Občanská demokratická strana



João FERREIRA
Substitute
Confederal Group of the European United Left - Nordic Green Left
Portugal Partido Comunista Português



Gerben-Jan GERBRANDY
Substitute
Group of the Alliance of Liberals and Democrats for Europe
Netherlands Democraten 66



Lidia Joanna GERINGER de OEDENBERG
Substitute
Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
Poland Sojusz Lewicy Demokratycznej



Charles GOERENS
Substitute
Group of the Alliance of Liberals and Democrats for Europe
Luxembourg Parti démocratique



Louis GRECH
Substitute
Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
Malta Partit Laburista



Ágnes HANKISS
Substitute
Group of the European People's Party (Christian Democrats)
Hungary Fidesz-Magyar Polgári Szövetség-Keresztény Demokrata Néppárt



Edit HERCZOG
Substitute
Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
Hungary Magyar Szocialista Párt



Peter JAHR
Substitute
Group of the European People's Party (Christian Democrats)
Germany Christlich Demokratische Union Deutschlands



Jürgen KLUTE
Substitute
Confederal Group of the European United Left - Nordic Green Left
Germany DIE LINKE.



Béla KOVÁCS
Substitute

NI Non-attached Members

Hungary Jobbik Magyarországért Mozgalom



Constanze Angela KREHL
Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Germany Sozialdemokratische Partei Deutschlands



Vladimír MAŇKA
Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Slovakia SMER-Sociálna demokracia



Erminia MAZZONI
Substitute

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



María MUÑIZ DE URQUIZA
Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Spain Partido Socialista Obrero Español



Jan OLBRYCHT
Substitute

Group of the European People's Party (Christian Democrats)

Poland Platforma Obywatelska



Rolandas PAKSAS
Substitute

Europe of freedom and democracy Group

Lithuania Partija Tvarka ir teisingumas



Georgios PAPASTAMKOS
Substitute

Group of the European People's Party (Christian Democrats)

Greece Nea Demokratia



Jaroslav PAŠKA
Substitute

Europe of freedom and democracy Group

Slovakia Slovenská národná strana



Paul RÜBIG
Substitute

Group of the European People's Party (Christian Democrats)

Austria Österreichische Volkspartei



Jacek SARYUSZ-WOLSKI
Substitute

Group of the European People's Party (Christian Democrats)

Poland Platforma Obywatelska

7



Sergio Paolo Francesco SILVESTRIS

Substitute

Group of the European People's Party (Christian Democrats)

Italy Il Popolo della Libertà



Peter ŠŤASTNÝ

Substitute

Group of the European People's Party (Christian Democrats)

Slovakia Slovenská demokratická a kresťanská únia - Demokratická strana



Georgios STAVRAKAKIS

Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Greece Panhellenic Socialist Movement



Jutta STEINRUCK

Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Germany Sozialdemokratische Partei Deutschlands



Theodor Dumitru STOLOJAN

Substitute

Group of the European People's Party (Christian Democrats)

Romania Partidul Democrat-Liberal



Gianluca SUSTA

Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

Italy -



Nils TORVALDS

Substitute

Group of the Alliance of Liberals and Democrats for Europe

Finland Svenska folkpartiet



Catherine TRAUTMANN

Substitute

Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

France Parti socialiste



Adina-Ioana VĂLEAN

Substitute

Group of the Alliance of Liberals and Democrats for Europe

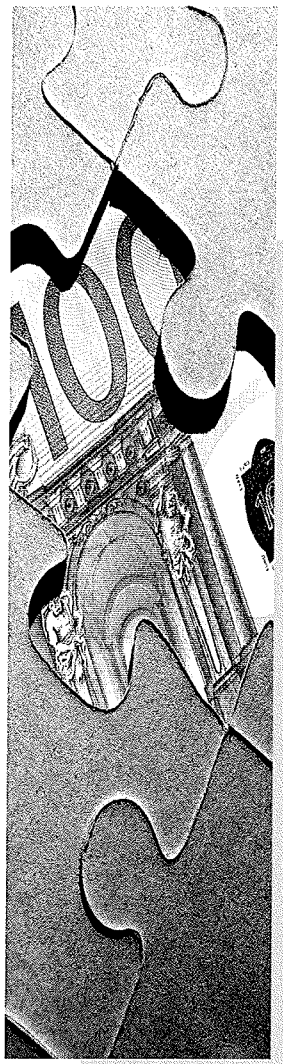
Romania Partidul Național Liberal

Source : © European Union, 2013 - EP

EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D
BUDGETARY AFFAIRS



Budgets

Budgetary Control

Creating greater synergy between European and national budgets

STUDY

EN

2010

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D: BUDGETARY AFFAIRS

Creating greater synergy between European and national budgets

STUDY

Abstract:

This study analysed spending at both EU and national levels in the following policy areas: education and training, social policy, research and development, humanitarian aid and common and foreign security policy. It also reviewed the mechanisms and processes aiming at ensuring budget coordination between the two levels.

While the policy priorities of the Member States under scrutiny are congruent with those of the EU, the overall synergy between strategic EU policy objectives and budgetary policies is weak. Recommendations are made that could enhance budgetary coordination between the two levels.

10/05/2010

PE 411.277 EN

This document was requested by the European Parliament's Committee on Budgets. It designated Mr Lamassoure, MEP, to follow the study.

AUTHOR(S)

Deloitte Consulting
Berkenlaan 8 C, B- 1831
Diegem- Belgium

RESPONSIBLE ADMINISTRATOR

Mr François JAVELLE
Policy Department Budgetary Affairs
European Parliament
B-1047 Brussels
E-mail: poldep-budg@europarl.europa.eu]

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its monthly newsletter please write to: poldep-budg@europarl.europa.eu

Manuscript completed in May 2010.
Brussels, © European Parliament, 2010.

This document is available on the Internet at:
http://www.europarl.europa.eu/studies

DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 4

RÉSUMÉ 7

ZUSAMMENFASSUNG 10

1. OBJECTIVE OF THE STUDY 13

2. METHODOLOGY 15

2.1. Analysis of available public expenditure figures 15

2.2. Face-to-face interviews 18

3. COORDINATION AND COMPLEMENTARITIES IN SPENDING PATTERNS 19

3.1. Analysis of the EU budget and its level of implementation (2007-2009) 19

3.2. Analysis of national budgets and their level of implementation 41

3.3. Distribution of public expenditure between Member States and EU level 80

3.4. Conclusions on congruence between national and EU policies and budgets 83

4. ANALYSIS OF THE BUDGETARY COORDINATION MECHANISMS BETWEEN NATIONAL AND EU BUDGETS 84

4.1. The context: relative size of the EU budget 84

4.2. Support for enhanced budgetary coordination 84

4.3. Overall lack of formal budgetary coordination mechanisms 85

4.4. Indirect budget coordination: a multi-layer approach to European public finance 87

4.5. Analysis of the leverage effect of EU co-financing requirements on the mobilisation of national public resources 90

4.6. Conclusions on available coordination mechanisms between EU and national budgets 96

5. CONCLUSIONS AND RECOMMENDATIONS 97

5.1. Conclusions 97

5.2. Recommendations 98

ANNEX 1: METHODOLOGY 100

1.1. Analysis of available public expenditure figures 100

1.2. Overview of data selection and data availability 103

1.3. Face-to-face interviews 105

1.4. Analysis of the EU budget and its level of implementation 106

1.5. List of interviewees 110

ANNEX 2: CORRESPONDENCE OF THE SELECTED CATEGORIES OF EXPENDITURE TO COFOG CATEGORIES 113

ANNEX 3: DATA ON PUBLIC EXPENDITURE IN R&D 116

ANNEX 4: DATA ON PUBLIC EXPENDITURE IN EDUCATION 118

ANNEX 5: DATA ON PUBLIC EXPENDITURE IN SOCIAL POLICY 120

ANNEX 6: DATA ON PUBLIC EXPENDITURE IN HUMANITARIAN AID 121

EXECUTIVE SUMMARY

This study analysed spending both at EU and national levels in a number of policy areas: education and training, social policy, research, development and humanitarian aid, common and foreign security policy. It also reviewed the mechanisms and processes aiming at ensuring budget coordination between the two levels. The analysis covered the guiding budgetary and policy objectives for the five areas based on research in four Member States - Belgium, France, Slovenia and Portugal. Based on a literature review and interviews with officials at both EU and Member State level, current mechanisms and procedures for coordinating EU and national expenditure were evaluated, as were the reasons for the general lack of synergy between the European and national levels.

The EU budget expenditure only accounts for approximately 2% of total public expenditure in the EU. The share of EU expenditure in total public expenditure is particularly modest, relative to national expenditure, in social policy, education, and foreign/security policy. It is relatively higher in development aid and R&D.

The overall synergy between strategic EU policy objectives and budgetary policies is weak. Only a modest part of the EU budget is spent on activities that contribute to the realisation of the Lisbon strategy. And at Member State level, apart from some exceptions – mainly found in regional policy - national budgets seldom refer to their contribution to achieving the objectives of the Lisbon or other EU strategies.

In general, the policy priorities of the four Member States in the five policy areas are congruent with those of the EU, particularly, in the areas of development aid and foreign/security policy. All Member States are committed to achieve UN Millennium Goals and support the European Consensus on Development. In education and social policy, lifelong learning and enhancing the flexibility and employability of workers are increasingly important, in line with EU policies, in all four Member States. Furthermore, with regard to R&D, Member States are increasingly aligning their R&D strategy and national funding methods with the objectives and functioning of the EU research programme. As might be expected, alignment of policy priorities is strong in policy areas – such as cohesion policy - where eligibility for EU funding is subject to co-financing requirements. This is particularly the case in Member States, where the relative share of EU expenditure in public spending is higher.

Interviewees agree that given the current economic and financial crises and scarcity of financial resources, there is a strong need for better coordination both between policy objectives at EU level (e.g. Lisbon and EU 2020 objectives, European Consensus on Development, etc.), but also between European and national policy objectives in many areas. Such coordination would lead to greater synergy between European and national level spending, while respecting and strengthening subsidiarity, additionality, European value added and the advantages of economies of scale.

While few examples of formal budgetary coordination mechanisms could be identified, this does not mean that there is no coordination at all. National governments cannot ignore EU public spending policy. National budgetary strategies increasingly seek EU funds to complement their own efforts.

In theory, the EU and the Member States coordinate their policies through a wide range of often implicit mechanisms, such as networks, benchmarking practices and peer reviews, the Broad Economic Policy Guidelines and the Open Method of Coordination. Although interviewees recognised the relevance of coordination mechanisms for creating budget synergies, they admit that they are rarely put into practice. The BEPG, and the Open Method of Coordination more

generally, are regarded as instruments with limited coordination and convergence effects, as they lack sanction mechanisms.

Also disconnections between the budgetary procedures in the Member States and those at EU level are put forward as a reason for the current lack of budget synergy. Basic issues such as length and timing of budget cycles and the absence of an agreed Europe-wide standard budget structure, complicate the search for synergy.

Co-financing requirements, related to some types of EU funding lead to some extent to reorientation of national expenditures and a de facto reorientation of policy priorities of the Member States. This is particularly the case in Member States who depend more on EU budgetary transfers than others.

In social policy, co-financing requirements of the ESF and ERDF result in an increased alignment of policy priorities between both levels and affect national budgets. However, this positive leverage effect is limited and less visible in Member States who receive relatively little money, like France and Belgium.

Concerning R&D, there is evidence of increasing alignment between the national and EU budgets, since the financial resources of FP7 increased substantially, making it relatively more important as a part of total funding for research.

In education, Member States are not obliged to supplement EU expenditure. The leverage effect of EU funding is mainly limited to enhanced policy coordination, for example through benchmarking practices.

In development aid, several Member States transfer parts of their national development aid to the EU to be managed for EU purposes by the European Commission. This is an interesting example of Member States seeking to achieve greater impact by exploiting the economies of scale that pooling development aid funds creates.

In the field of foreign and security policy, there is limited evidence of budgetary coordination between the EU and national budgets. Foreign and security policy is still highly regarded as a policy area with a strong national dimension, despite the growing alignment of policy priorities at EU level. In both development and foreign/security policy, the creation of the European External Action Service will offer an excellent opportunity to create greater coordination.

The following recommendations could enhance budgetary coordination between the EU budget and national budgets:

First, the transparency and visibility of budgetary coordination between both levels could be enhanced by *aligning the categories of expenditure at national and EU budget level.* An aggregate analysis of European public finance –requiring high quality and comparable data on the functional breakdown of government expenditure - is currently lacking. As it does for the national budgets, Eurostat could also align the current categories of expenditure of the EU budget with the COFOG categories - without changing the EU budget structure - , in order to be able to compare national and EU public expenditure simultaneously within one analytical framework.

Second, Member State authorities could agree to include an overview of their financial commitments and efforts to the realisation of the EU objectives and strategies in their national budgets. This would provide an opportunity for governments and parliaments to relate national objectives to agreed commitments at EU level. It would also establish a framework within which EU

and national expenditure could be set, and would provide an insight into the financial leverage effects of EU funding instruments.

Third, the national parliaments and the European Parliament should work together to enhance budgetary coordination between both levels. In addition to the existing forum at Council level, discussions between EU and national parliaments – which both have budgetary powers – could be an effective means to find ways forward with regard to enhanced budgetary coordination and to stimulate national authorities to consider EU expenditure at the level of national budgets with more attention. Such discussions could also focus on the weaknesses that were identified in this report and on the coordination that is needed for specific categories of expenditure.

RÉSUMÉ

Cette étude a analysé les dépenses aux niveaux Européen et nationaux dans un certain nombre de domaines politiques : éducation/formation, politique sociale, recherche, aide humanitaire et au développement, politique étrangère et de sécurité commune (PESC). Elle a également passé en revue les mécanismes et les processus visant à assurer la coordination budgétaire entre les deux niveaux. L'analyse a couvert les objectifs principaux en matière politique et budgétaire pour les cinq domaines sur base d'une recherche dans quatre Etats membres - Belgique, France, Slovénie et Portugal. Basé sur une revue de la littérature et des entrevues avec des fonctionnaires de l'UE et au niveau des États membres, les mécanismes et les procédures usuels mis en place pour coordonner les dépenses entre l'UE et les Etats membres ont été évalués, de même que les raisons du manque général de synergie entre les niveaux Européen et nationaux.

Les dépenses budgétaires de l'UE ne contribuent qu'à approximativement 2% des dépenses publiques totales au sein de l'UE. La part des dépenses de l'UE dans les dépenses publiques totales est particulièrement modeste, dans la politique sociale, l'éducation, et la politique étrangère et de sécurité. Elle est relativement plus élevée dans l'aide au développement et dans la R&D.

La synergie globale entre les objectifs stratégiques politiques de l'UE et les politiques budgétaires est faible. Une part modeste du budget de l'UE est dépensée en activités qui contribuent à la réalisation de la stratégie de Lisbonne. Et au niveau des États membres, hormis quelques exceptions - principalement trouvées dans la politique régionale - les budgets nationaux se réfèrent rarement à leur contribution à l'atteinte des objectifs de Lisbonne ou à d'autres stratégies de l'UE.

Généralement les priorités politiques des quatre Etats membres dans les cinq domaines analysés sont conformes à celles de l'UE, en particulier, dans les domaines de l'aide au développement et de la politique étrangère et de sécurité. Tous les Etats membres se sont engagés à atteindre les objectifs du millénaire de l'ONU et à soutenir le Consensus Européen pour le Développement. En matière d'éducation et de politique sociale, la formation permanente et l'amélioration de la flexibilité et de l'employabilité des travailleurs sont de plus en plus importantes, en conformité avec des politiques de l'UE, et ce pour chacun des quatre Etats membres. En outre, en ce qui concerne la R&D, les Etats membres alignent de plus en plus leur stratégie et méthodes de financement nationales avec les objectifs et le fonctionnement du programme de recherche de l'UE. Comme on aurait pu s'y attendre, l'alignement des priorités politiques est important dans des domaines - tels que la politique de cohésion - où l'éligibilité au financement de l'UE est sujette à des conditions de cofinancement. C'est en particulier le cas dans les Etats membres où la part relative de l'UE dans les dépenses publiques totales est la plus élevée.

Les personnes interviewées conviennent qu'étant donné la crise économique et financière actuelle et la pénurie de ressources financières, il existe un besoin fort pour une meilleure coordination à la fois entre les objectifs politiques au niveau communautaire (par exemple ceux de Lisbonne et de la Stratégie EU-2020, le Consensus Européen pour le Développement, etc.), mais également entre les objectifs politiques européens et nationaux dans de nombreux domaines. Une telle coordination mènerait à une plus grande synergie entre les dépenses européennes et nationales, tout en respectant et renforçant la subsidiarité, la complémentarité, la valeur ajoutée européenne et les avantages liés aux économies d'échelle.

Bien que peu d'exemples des mécanismes budgétaires formels de coordination aient pu être identifiés, ceci ne signifie pas qu'il n'y a pas de coordination du tout. Les gouvernements nationaux ne peuvent pas ignorer la politique de financement public de l'UE. Les stratégies budgétaires

nationales sont de plus en plus à la recherche de fonds Européens pour compléter leurs propres efforts.

En théorie, l'UE et les Etats membres coordonnent leurs politiques au travers d'un éventail de mécanismes souvent implicites, tels que les réseaux, le benchmarking des bonnes pratiques et des évaluations par les pairs, les Grandes Orientations de Politique Economique et la Méthode Ouverte de Coordination. Bien que les personnes interviewées reconnaissent la pertinence des mécanismes de coordination pour créer des synergies budgétaires, elles admettent qu'ils sont rarement mis en pratique. Les GOPE, et plus généralement la Méthode Ouverte de Coordination, sont considérés comme des instruments avec des effets limités en termes de coordination et de convergence, car ils manquent des mécanismes de sanction.

De plus, les déconnexions entre les procédures budgétaires dans les Etats membres et ceux au niveau communautaire sont pointés comme une source fréquente de manque de synergie budgétaire. Les questions fondamentales telles que la durée et la synchronisation des cycles budgétaires et l'absence de structure budgétaire standard Européenne rendent la recherche de synergie plus difficile.

Les conditions de cofinancement en vigueur pour certains domaines de dépenses de l'UE conduisent dans une certaine mesure à une réorientation des dépenses nationales et, de fait, des priorités politiques des Etats membres. C'est en particulier le cas dans les Etats membres qui dépendent davantage des transferts budgétaires de l'UE.

En matière de politique sociale, les conditions de cofinancement du FSE et de FEDER a pour effet un accroissement de l'alignement des priorités politiques entre les deux niveaux et ont un effet sur les budgets nationaux. Cependant, cet effet de levier positif est limité et moins visible dans les Etats membres qui reçoivent relativement peu d'argent, comme la France et la Belgique.

Pour ce qui concerne la R&D, il est certain que l'alignement entre les budgets nationaux et de l'UE va croissant depuis que les ressources financières du PC7 ont augmenté sensiblement, le rendant relativement plus important comme part du financement de la recherche.

En termes d'éducation, les Etats membres ne sont pas obligés de compléter les dépenses de l'UE. L'effet de levier du financement communautaire est principalement limité à une meilleure coordination des politiques, par exemple par des pratiques de benchmarking.

Pour l'aide au développement, plusieurs Etats membres transfèrent une part de leur aide nationale au développement vers l'UE en vue d'être gérée en fonction des objectifs de l'UE par la Commission européenne. C'est un exemple intéressant de cas où lesEtats membres cherchent à obtenir un plus grand impact en exploitant les économies d'échelle créées par la mise en commun des fonds d'aide au développement.

Dans le domaine de la politique étrangère et de sécurité, il y a peu d'élément qui démontrent une quelconque coordination budgétaire entre l'UE et les budgets nationaux. La politique étrangère et de sécurité est encore largement considérée comme un domaine politique avec une dimension nationale forte, en dépit de l'alignement croissant des priorités politiques au niveau communautaire. Dans le développement de ces politiques, la création du Service Européen d'Action Externe donnera une excellente opportunité de créer une plus grande coordination.

Les recommandations suivantes pourraient accroître la coordination budgétaire entre le budget d'UE et les budgets nationaux :

D'abord, la transparence et la visibilité de la coordination budgétaire entre les deux niveaux pourraient être augmentées en *alignant les catégories de dépense des budgets nationaux et de l'UE.* Une analyse agrégée des finances publiques européennes - exigeant des données de haute qualité et comparables sur l'analyse fonctionnelle des dépenses publiques - manque actuellement.. Comme il le fait pour les budgets nationaux, Eurostat pourrait également aligner les catégories usuelles de dépenses budgétaires de l'UE avec les catégories de COFOG - sans changer la structure budgétaire de l'UE-, afin de pouvoir comparer les dépenses publiques nationales et communautaire au travers d'un cadre analytique commun.

En second lieu, les Etats membres pourraient accepter d'inclure une vue d'ensemble de leurs engagements financiers et efforts à la réalisation des objectifs et stratégies de l'UE dans leurs budgets nationaux. Cette démarche présenterait un moyen pour les gouvernements et les parlements de rapprocher leurs objectifs nationaux des engagements convenus au niveau communautaire. Cela permettrait aussi d'établir un cadre dans lequel pourraient être placées les dépenses nationales et communautaires, et fournirait un aperçu des effets de levier des instruments de financement de l'UE.

Troisièmement, les parlements nationaux et le Parlement européen devraient travailler ensemble pour augmenter la coordination budgétaire entre les deux niveaux. En plus du forum existant au niveau du Conseil, les discussions entre l'UE et les parlements nationaux - qui tous deux ont des pouvoirs budgétaires - pourraient constituer un moyen efficace pour trouver des modalités en vue d'augmenter la coordination budgétaire et pour stimuler les administrations nationales à prendre en considération, avec plus d'attention, les dépenses de l'UE au niveau des budgets nationaux. De telles discussions pourraient également se concentrer sur les faiblesses identifiées dans ce rapport et sur la coordination nécessaire pour des catégories de dépense spécifiques.

ZUSAMMENFASSUNG

In dieser Studie werden die Ausgaben bezüglich verschiedener politischer Bereiche sowohl auf EU-Ebene als auch auf nationaler Ebene analysiert: Aus- und Weiterbildung, Sozialpolitik, Forschung, Entwicklungshilfe und humanitäre Hilfe, Gemeinsame Außen- und Sicherheitspolitik (GASP). Außerdem hat sie Methoden und Verfahren mit dem Ziel, eine Budgetkoordinierung zwischen beiden Ebenen zu gewährleisten, überprüft. Die Analyse umfasst die führenden budgetären und politischen Ziele der fünf Bereiche, basiert auf Untersuchungen in vier Mitgliedstaaten – Belgien, Frankreich, Slowenien und Portugal. Beruhend auf Literaturdurchsichten und Befragungen von Beamten/Bediensteten sowohl auf EU-Ebene als auch auf der Ebene der Mitgliedsstaaten wurden die gängigen Methoden und Abläufe zur Koordination von EU- und nationalen Ausgaben ausgewertet, ebenso wie auch die Gründe des generellen Synergiemangels zwischen der europäischen und nationalen Ebene untersucht wurden.

Die EU-Haushaltsausgaben machen nur ca. 2% der gesamten öffentlichen Ausgaben in der EU aus. In der Sozialpolitik, der Bildung und der externen Sicherheitspolitik ist der EU-Ausgabenanteil an den gesamten öffentlichen Ausgaben besonders bescheiden. Er ist relativ gesehen in der Entwicklungshilfe und in Forschung & Entwicklung höher.

Die Gesamtsynergie zwischen strategischen EU-politischen Zielen und der Budgetpolitik ist schwach. Nur ein bescheidener Teil des EU-Budgets wird für Aktivitäten ausgegeben, die zur Realisierung der Lissabon-Strategie beitragen. Auf Ebene der Mitgliedsstaaten nehmen, abgesehen von einigen Ausnahmen – hauptsächlich festgestellt in der Regionalpolitik – die nationalen Budgets selten Bezug auf ihren Beitrag zur Verwirklichung der Zielsetzungen von Lissabon oder anderer EU-Strategien.

Generell stimmen die politischen Prioritäten der vier Mitgliedsstaaten mit jenen der EU überein, vor allem in dem Bereich der Entwicklungshilfe und der externen Sicherheitspolitik. Alle Mitgliedsstaaten sind engagiert, die Milleniums-Entwicklungsziele (MDG) zu erreichen und den Europäische Konsens über die Entwicklungspolitik zu unterstützen. Einhergehend mit der EU-Verfassung sind in allen vier Mitgliedsstaaten die Bildungs- und Sozialpolitik, sowie das lebenslange Lernen und die Verbesserung der Flexibilität und der Arbeitsvermittlung der Arbeitnehmer zunehmend wichtiger. In Hinblick auf Forschung und Entwicklung stimmen die Mitgliedsstaaten weiterhin ihre Forschungs- und Entwicklungsstrategie und nationale Finanzierungsmethoden verstärkt mit den Zielen und der Funktionsweise des EU-Forschungsprogramms ab. Wie zu erwarten, ist die Abstimmung von strategischen Prioritäten stark in Politikbereichen – wie z.B. in der Kohäsionspolitik – bei denen eine Teilnahmeberechtigung zur EU-Finanzierung von den Erfordernissen der Kofinanzierung abhängig ist. Dies ist vor allem in den Mitgliedsstaaten der Fall, bei denen der jeweilige Anteil der EU-Ausgaben für öffentliche Ausgaben höher ist.

Die in Interviews Befragten stimmen überein, dass in Zeiten der gegenwärtigen wirtschaftlichen und finanziellen Krisen und der Knappheit von Finanzmitteln ein starkes Bedürfnis sowohl für eine bessere Koordination der strategischen Ziele auf EU-Ebene (d.h. Lissabon- und EU-2020-Ziele, Europäischer Konsens über die Entwicklungspolitik, etc.) als auch der Europäischen und nationalen politischen Ziele auf verschiedenen Gebieten besteht. Eine solche Koordination würde zu einer größeren Synergie zwischen den Ausgaben auf europäischer und nationaler Ebene durch das Berücksichtigen und Intensivieren von Subsidiarität, Zusätzlichkeit, Europäischem Mehrwert und von Einsparungen aufgrund von Größenordnungseffekten führen.

Obwohl nur wenige Beispiele von formalen budgetären Koordinationsmethoden identifiziert werden konnten, bedeutet dies nicht, dass eine Koordination gänzlich fehlt. Nationale

Regierungen können die EU-Politik für öffentliche Ausgaben nicht ignorieren. Nationale budgetäre Strategien streben verstärkt EU-Finanzmittel an um ihre eigenen Leistungen zu vervollständigen. Theoretisch koordinieren die EU und die Mitgliedsstaaten ihre Haushaltspolitik durch eine breite Auswahl von oft impliziten Methoden, wie zum Beispiel durch Networking, Benchmark-Methoden, Peer Reviews, die Grundzüge der Wirtschaftspolitik und die Offene Methode der Koordinierung. Obwohl die Befragten die Bedeutung von Koordinierungsmethoden zur Erstellung von Synergien im Haushaltsbereich anerkannten, gaben sie zu, dass sie selten in die Tat umgesetzt werden. Die Grundzüge der Wirtschaftspolitik und die Offene Methode der Koordinierung im Allgemeinen werden als Instrumente mit begrenzten Koordinations- und Konvergenzwirkungen betrachtet, da sie keine Sanktionsmechanismen vorsehen.

Auch Abkopplung bzw. ein Mangel an Synchronisation zwischen Haushaltsverfahren in den Mitgliedsstaaten und auf EU-Ebene werden als Grund für das gegenwärtige Fehlen von Synergie im Haushaltsbereich vorgebracht. Zentrale Themen wie Länge und zeitliche Planung der Budgetzyklen und das Fehlen einer europaweit angenommenen standardisierten Haushaltsstruktur kompliziert die Suche nach Synergie.

Anforderungen zur Kofinanzierung in Zusammenhang mit einigen Arten von EU-Finanzierungen führten teilweise zu einer Neuorientierung der nationalen Ausgaben und einer de facto Neuorientierung von politischen Prioritäten der Mitgliedstaaten. Dies ist vor allem in Mitgliedstaaten der Fall, die mehr von EU-Budgetüberweisungen abhängig sind als andere.

In der Sozialpolitik resultieren Anforderungen zur Kofinanzierung beim ESF (Europäischer Sozialfond) und beim EFRE (Europäischer Fonds für regionale Entwicklung) in einer verstärkten Anpassung von politischen Prioritäten zwischen beiden Ebenen und beeinflussen die nationalen Budgets. Allerdings ist diese positive Hebelwirkung begrenzt und weniger in Mitgliedsstaaten sichtbar, die relativ wenig Geld erhalten, wie beispielsweise Frankreich und Belgien.

Im Bereich Forschung und Entwicklung gibt es eine zunehmende Anpassung von nationalen und EU-Budgets, da die Finanzmittel des 7. Rahmenprogramms (RP7) wesentlich gestiegen sind, so dass dieses einen relativ gewichtigeren Anteil an der Gesamtfinanzierung für Forschung bekam.

Im Bereich der Ausbildung sind die Mitgliedsstaaten nicht verpflichtet, die EU-Ausgaben zu ergänzen. Die Hebelwirkung der EU-Ausgaben ist hauptsächlich auf eine verbesserte strategische Koordination begrenzt, zum Beispiel durch Benchmark-Methoden.

Bei der Entwicklungshilfe transferieren verschiedene Mitgliedsstaaten Teile ihrer nationalen Entwicklungshilfe an die EU, damit sie für EU-Zwecke durch der Europäischen Kommission verwalten werden. Dies ist ein interessantes Beispiel dafür, dass Mitgliedsstaaten danach trachten, eine größere Wirkung durch Ausschöpfen von Größenordnungseffekten zu erreichen, wie sie durch die Bündelung von Entwicklungshilfemitteln erreicht werden.

Im Bereich der Außen- und Sicherheitspolitik bestehen nur geringe Anzeichen von Budgetkoordinierung zwischen der EU und nationalen Haushalten. Außen- und Sicherheitspolitik wird immer noch in hohem Maße als ein Politikfeld mit starker nationaler Dimension betrachtet, trotz der wachsenden Abstimmung von strategischen Prioritäten auf EU-Ebene. Sowohl bei der Entwicklungspolitik als auch bei der Außen- und Sicherheitspolitik wird die Errichtung des Europäischen Auswärtigen Dienstes eine ausgezeichnete Gelegenheit zur besseren Koordinierung bieten.

Die Koordination zwischen nationalen Haushalten und dem EU Budget könnte durch folgende Empfehlungen verbessert werden:

Erstens könnten die Transparenz und Sichtbarkeit der Haushaltskoordination zwischen beiden Ebenen durch eine *Anpassung der Budgetausgabenkategorien auf nationaler - und EU-Ebene* verstärkt werden. Es mangelt an einer konsolidierten Analyse öffentlicher Finanzen in Europa. Für diese werden qualitativ hochwertige und vergleichbare Datensätze zur funktionalen Aufteilung öffentlicher Ausgaben benötigt. Ein Vergleich öffentlicher Ausgaben der EU-Mitgliedstaaten ist mit Hilfe einer funktionalen Aufteilung mit der COFOG Methode (Classification of Functions of Government) möglich. Um die öffentlichen Staats- und EU-Ausgaben innerhalb *eines* analytischen Rahmens zu vergleichen, könnte Eurostat auch, wie es bereits für die nationalen Haushalte durchgeführt wird, die jetzigen Ausgabenfelder des EU-Haushalts an die COFOG Kategorien anpassen, ohne dabei die EU-Haushaltsstruktur zu verändern.

Zweitens könnten sich die Mitgliedstaaten darauf einigen, zukünftig ihren nationalen Budgets einen Überblick der finanziellen Verpflichtungen und Anstrengungen zur Erfüllung der EU-Ziele und – Strategien beizufügen. Diese Neuerung würde es den Regierungen und Parlamenten erlauben, einen Bezug von nationalen Zielen zu Verpflichtungen auf EU-Ebene zu herzustellen. Außerdem würde so ein Rahmen für die Ausgaben der EU und der Mitgliedstaaten geschaffen, der eine Einsicht in die "Leverage-Effekte" (Hebelwirkungen) europäischer Finanzinstrumente liefern würde.

Drittens sollten nationale Parlamente mit dem Europäischen Parlament zur Verbesserung der Budgetkoordination auf beiden Ebenen zusammenarbeiten. Neben dem existierenden Forum auf Ratsebene, könnten engere Gespräche zwischen EU- und nationalen Parlamenten, welche beide über budgetäre Kompetenzen verfügen, ein effizientes Mittel sein, um neue Wege zur verbesserten Budgetkoordination zu finden und Anreize für nationale Entscheidungsträger zur stärkeren Abstimmung der nationalen Ausgaben mit den Ausgaben der EU liefern. Solche Diskussionen könnten sich auch auf die in diesem Bericht ausgemachten Schwachstellen und die nötige Koordination in spezifischen Ausgabenfeldern konzentrieren.

1. OBJECTIVE OF THE STUDY

This study focuses on the budgetary interventions at EU and national level in specified policy areas, and on the mechanisms and processes designed to ensure budget coordination between the two levels. Deloitte has been mandated by the Services of the European Parliament to carry out this study. The focus is as follows:

- **At the level of the general policy objectives:**
  - Five EU policy objectives or categories of expenditure were selected for the study, based on their relevance and representativeness. The selected categories of expenditure are: research and development, humanitarian and development aid, education, social policy in the context of the Lisbon agenda[1], and foreign and security policy (CFSP);
  - An analysis of the guiding budgetary and policy objectives at European and national levels for these five areas, as well as the extent to which they are compatible, complementary or similar, based on research in four Member States (Belgium, France, Slovenia and Portugal);
- **Coordination and complementarities in spending patterns (in a sample of Member States):**

  For the specific policy objectives/areas defined above, we have completed:
  - Analysis of the relevant EU budget lines and their level of implementation between 2007 and 2009;
  - Identification of the corresponding budget lines in the national budgets, as well as their level of implementation between 2007 and 2009[2];
  - Analysis of the leverage effect of EU co-financing requirements on the mobilisation of national public resources;
  - Analysis of the expenditure at EU and Member State level respectively, and their degree of congruence;
- **Coordination processes (in a sample of Member States):**
  - Analysis of the current mechanisms and procedures designed to coordinate EU and national expenditure when aiming for the same objectives. This analysis covers both EU and national levels, including not only the stage of budgetary procedures but also the possible coordination mechanisms that apply when the budget is implemented;
  - Evaluation of the impact of the mechanism on synergy and possible overlaps/disconnects between the EU budget and the national budgets for the selected areas/objectives;
  - Analysis of the reasons for a lack of synergy between the European and national levels, and development of recommendations on how the EU objectives in the selected areas could best be accomplished and how more effective coordination could be achieved, e.g. through better integration of policy guidelines and budgetary allocations at both EU and

[1] The emphasis will be on labour market activation instead of social benefits.

[2] During the inception meeting, the Steering Committee agreed to search for the most recent data available.

national levels, and enhanced coordination between the European Parliament and national Parliaments;

- The obstacles and constraints to such changes are also presented, notably those related to the current processes and calendars of national budgetary procedures.

2. METHODOLOGY

In order to be able to formulate sound conclusions with regard to the level of existing coordination and congruence between the EU and national budgets, the following data collection activities took place:

- An in-depth analysis of available public expenditure data at EU and Member State level;
- A series of face-to-face interviews with officials at EU and Member State level.

Annex 1 contains a detailed explanation of the methodology that was used by the research team.

2.1. ANALYSIS OF AVAILABLE PUBLIC EXPENDITURE FIGURES

2.1.1. Public expenditure data at Member State level

In analysing public expenditure in the Member States, the research team initially favoured a functional breakdown of government expenditure based on COFOG (Classification of Functions of Government). COFOG is regarded as a unique classification that enables the national budgets of all EU-27 states to be presented consistently and to bridge the existing differences in the national budgetary frameworks.

Annex 2 of this final report provides an overview of the selected categories of expenditure and their associated COFOG categories[3].

The functional breakdown of public expenditure based on COFOG is highly relevant for two of the selected categories of expenditure - 'social policy' and 'education'. For the other categories, however, an analysis based on COFOG is less suitable because:

- 'Research and Development' is not a COFOG level I category, i.e. R&D expenditure is not collected under a single umbrella and needs to be allocated separately to all level I categories based on the purpose of specific expenditure. For example, R&D into environmental protection falls under the COFOG heading 'environmental protection'. Consequently, we have relied on data on R&D expenditure from the Member States which are based on a different classification system called *Government budget appropriations or outlays on R&D* (GBAORD).

- 'External relations', which for the EU is part of CFSP is a COFOG level III subcategory under category I 'General public services'. Member States seldom report level III COFOG data. Therefore, the research team has relied on other information sources.

- The same is true for Development and Humanitarian Aid (also level III), for which Eurostat data have been used, as well as data from the OECD-DAC (Development Assistance Committee) database.

2.1.2. Public expenditure data at EU level

The COFOG classification, however, may be more difficult to apply for the analysis of EU In analysing EU expenditure, the COFOG classification can be more difficult to apply, where specific budgetary categories such as F In order to be able to compare national with EU public expenditure

[3] As the categories of expenditure selected are not taken directly from COFOG due to the fact that they are based on the heading structure of the General Budget of the European Union.

through one analytical framework, the headings of the EU annual budget were broken down into smaller categories of expenditure to be reconciled with COFOG categories I and II.

The alignment of the EU budget breakdown by the selected categories of expenditure is relatively straightforward for two of the categories in scope: CFSP, and humanitarian and development aid. For all other categories of expenditure (research, social policy and education), the EU budget has been further broken down, based on the headings and chapters of the EU annual budgets.

This required the research team to take account of the following:

- Assigning expenditure to the different policy areas of Regional Policy (which covers the European Regional Development Fund and the Cohesion Fund), is rather complicated, as the ERDF invests in a wide range of activities: economic development, R&D, education, social protection, etc. However, the EU annual budgets do not contain detailed information about the purpose of the activities that are financed by the ERDF. Consequently, the European Parliament's services requested data from DG REGIO in order to identify the exact and final destination of the funds that have been granted. Based on these data, EU expenditure within the structural policies has been allocated to one of the selected categories of expenditure (education, R&D, social protection).

- The policy area 'Employment and Social Affairs' (including the European Social Fund) does not only relate to the 'social protection' category of expenditure, as ESF funding is also granted for 'economic affairs' and 'education' purposes.

- EU expenditure on 'education and culture' is a single policy area. However, as the scope of this study is limited to 'education' and does not include 'culture', the research team carefully scanned the EU annual budgets in order to identify the destination of expenditure in this policy area.

2.1.3. Overview of relevant budget lines and data availability

To summarise the methodological considerations in the section above, the table below gives an overview of the data sources and budget lines selected for the analysis.[4]

Table 1: Selection of budget lines and information sources with regards to public expenditure in the selected policy areas

	R&D	HUMANITARIAN AND DEVELOPMENT AID	EDUCATION AND TRAINING	SOCIAL POLICY	FOREIGN AND SECURITY POLICY
			Where to find data?		
EU	EU annual budget headings: • Chapter 02 04: Cooperation – Space and Security • Chapter 4 02 (European Social Fund) • Chapter 06 06 — Research related to energy and transport • Title 08 — Research • Chapter 09 05 — Capacities — Research infrastructures • Title 10 — Direct research Title 13 — Regional policy	EU annual budget headings: • Chapter 19 09 — Relations with Latin America • Chapter 19 10 — Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen) • Title 21 — Development and relations with ACP States • Title 23 — Humanitarian aid	EU annual budget headings: • Title 15 — Education and Culture • Chapter 04 02 — European Social Fund • Chapter 04 06 — Instrument for Pre-Accession Assistance (IPA)-Human resources development • Title 13 — Regional policy	EU annual budget headings: • Title 04 —Employment and Social Affair • Title 13 — Regional policy	EU annual budget headings: • Title 19 — External relations
Member States	Government budget appropriations or outlays on R&D (GBAORD). Note: GBAORD represents budgetary forecasts and not actual spending.	Data on Official Development Assistance, produced by the OECD-DAC and available at Eurostat (only applicable for EU DAC countries)	Public administration spending in support of Teaching following Classification of Functions of Governments (COFOG).	Public administration spending in support of 'Social Protection' following Classification of Functions of Governments (COFOG).	Public administration spending in support of Foreign and Security policy following Classification of Functions of Governments (COFOG).

Source: own analysis, reviewed by DG BUDG

[4] The selection of budget lines, as well as the figures on public expenditure that were used in this report, have been checked by DG BUDGET services with regard to consistency and accurateness.

2.2. FACE-TO-FACE INTERVIEWS

To complete the data analysis of public expenditure at EU and Member State level, a series of face-to-face interviews were conducted.

At EU level, the research team conducted interviews with European Commission officials (DGs ECFIN and BUDGET) and representatives of the Council of the EU. The interviews aimed to verify the research team's data analysis of EU public expenditure. Moreover, interviewees at EU level provided more insight into the existing spending patterns at EU level and their level of congruence with public spending in the Member States.

Secondly, we conducted interviews with multiple stakeholders in the four selected Member States. The interview phase in the Member States included officials of some or all of the following: the different national parliaments, the courts of audit, the national planning and statistical offices, and government officials – within the Ministries of Finance or Budget, and in the selected policy areas (R&D, social policy, education, development and humanitarian aid, foreign and security policy). The interviews aimed to provide a clear insight into the budgetary procedures and practices that are in place in these Member States and to assess the level of congruence between the policy and budget priorities at EU level, and the respective Member States. Additionally, they focused on the role and interactions with EU institutions and legislation when drafting national budgets.

Annex 1 (1.6) contains a list of interviewees for all selected Member States and at EU level. The table below provides an overview of the policy area and geographical coverage of the interview phase.

Table 2: Geographical and sector coverage of interview sample

	SLOVENIA	FRANCE	BELGIUM	PORTUGAL
Education	X		X	X
Research and development	X	X	X	
Social policy		X	X	X
Development and assistance aid	X	X	X	X
Security policy	X		X	
Ministry of Budget or Finance	X	X	X	X
Parliamentary Committee	X	X	X	X
Court of Audits	X			
Statistical Offices	X		X	

3. COORDINATION AND COMPLEMENTARITIES IN SPENDING PATTERNS

3.1. ANALYSIS OF THE EU BUDGET AND ITS LEVEL OF IMPLEMENTATION (2007-2009)

3.1.1. Overview

In the current Financial Framework, a large proportion goes on the Common Agricultural Policy, and in particular on direct payments. For the remainder, based on the solidarity principle, the emphasis has been laid on cohesion policy and economic development. According to Begg[5], about 60% of the EU budget is related to commitments that result from the Lisbon Strategy if cohesion policy is included. Approximately 10% of the EU budget furthers research objectives and activities. This is 0.1% of EU GNI (compared to the3% target of public and private spending which was set by the Lisbon Strategy).

One of the main governance challenges at EU level for post-2010 is the reconciliation of the different EU processes, such as the Lisbon Strategy and the Europe 2020 Strategy, the Sustainable Development and Energy Policy for Europe, and the Social Inclusion and Cohesion policies. The alignment of EU-wide strategies needs to be reflected in the EU budget. The shares of authentic EU-level public goods, distributive transfers (based on the solidarity principle) and new needs (climate change, knowledge economy, innovation, etc.) have to be rebalanced. Furthermore, EU observers refer to the growing need to integrate national and the EU budgets and to find a sustainable balance of power between the Member States, sub-national levels and the EU level.

The European Commission has recently presented the Europe 2020 Strategy. This is designed to tackle Europe's weaknesses and ensure the necessary structural reforms are implemented. The new strategy replaces the previous Lisbon Strategy, which covered 2000-2010. The Europe 2020 Strategy focuses on:

- Boosting EU competitiveness;
- Research and (dissemination of) innovation;
- Infrastructure enhancements;
- Knowledge economy;
- Digital Europe;
- New skills;
- Empowering people and Education;
  Social cohesion and employability, etc.

The data in the table indicate:

- A significant increase in actual spending by the EU on purposes related to 'education and training' and on 'research' during the period 2004-2009. The investments by the Commission following the launch of the FP7 research programme and the Lifelong Learning Programme (LLP) are important drivers behind the increase.
- A significant decrease in actual spending by the EU on 'Employment and Social Affairs', which can be explained by the finalisation of the ESF multiannual programme 2000-2006 and the launch of a new ESF programme for the period 2007-2013 .

[5] I. BEGG, Lisbon in the EU Budget, European Institute London School of Economics, 2009

The table below gives an overview of the outturn of EU expenditure in the selected categories of expenditure, based on the General Summary of Appropriations and Outturn (2004-2009) that is published annually in the Official Journal of the European Union.

Table 3: Appropriation and Outturn EU budget for the selected categories of expenditure, 2004-2009 (million euro)

Million EUR	2004		2005		2006		2007		2008		2009		Evolution 2004-2009 %
	Appr.	Outturn	Appr.	Outturn	Appr.	Outturn	Appr.	Outturn	Appr.	Outturn	Appr.	Outturn	Outturn
Education and culture	€ 958,68	€ 928,00	€ 1.034,64	€ 989,00	€ 1.267,21	€ 1.108,21	€ 1.449,79	€ 1.260,53	€ 1.595,75	€ 1.229,54	€ 1.648,01	€ 1.275,46	**37,4%**
Research	€ 3.475,54	€ 2.611,00	€ 3.614,45	€ 3.016,00	€ 3.998,33	€ 3.372,81	€ 3.311,76	€ 2.678,46	€ 5.059,42	€ 3.440,58	€ 5.902,85	€ 3.696,13	**41,6%**
Direct research	€ 328,77	€ 356,00	€ 392,74	€ 356,00	€ 625,44	€ 392,67	€ 656,04	€ 405,88	€ 653,59	€ 343,69	€ 706,34	€ 362,21	**1,7%**
Employment & Social affairs	€ 10.773,20	€ 9.295,00	€ 11.471,84	€ 9.736,00	€ 9.613,69	€ 9.563,81	€ 11.664,36	€ 11.547,43	€ 11.081,35	€ 6.969,73	€ 10.679,75	€ 6.059,62	**-34,8%**
Humanitarian aid	€ 536,45	€ 519,00	€ 833,91	€ 596,00	€ 634,97	€ 625,05	€ 764,29	€ 755,64	€ 901,65	€ 767,40	€ 858,05	€ 691,27	**33,2%**
Development & ACP relations	€ 1.197,45	€ 1.016,00	€ 1.050,22	€ 927,18	€ 1.310,68	€ 976,76	€ 1.343,70	€ 1.192,82	1 292,11	€ 868,79	€ 1.801,50	€ 1.237,98	**21,8%**

Source: Oficial Journal of the European Union, General Summary of appropriations and outturn (2004-2009), by policy area[6]

The chapters below aim to provide a more detailed breakdown of EU spending in these areas.

[6] The scope of the study is limited to the area of education and does not cover 'culture'. 'General summary of appropriations and outturn, by policy area', published by the European Commission, does not make the distinction between both areas. In the chapters below, expenditure in this area has been split up. Based on our own calculations and analysis of the European annual budget reports, about 78% of expenditure in 'education and culture' goes to 'education and training' activities. Methodological notes can be found in Annex 1.

3.1.2. Education

National governments are predominantly responsible for education and training, particularly with regard to primary and secondary education[7]. However, some challenges are common to all Member States: ageing societies, skills deficits of the workforce and global competition. This justifies joint responses and exchanges of lessons learned.

EU education and training policy has been given added impetus since the adoption of the Lisbon Strategy in 2000, the EU's overarching programme focusing on growth and jobs. Knowledge, and the innovation it sparks, is considered by the Lisbon Strategy as the EU's most valuable assets, particularly as global competition becomes more intense in all sectors.

The European Commission established a single umbrella for education and training activities, called the Lifelong Learning Programme (LLP) since the new Financial Perspective 2007-2013. The programme, established under the current Financial Framework 2007-2013, replaces previous education, vocational training and e-learning programmes that came to an end in 2006.

The Member States and the European Commission strengthened their policy cooperation, with the launch of the Education and Training 2010 work programme in 2001 and its follow-up, the strategic framework for European cooperation in education and training ("ET 2020") adopted by the Council in May 2009.

The new strategic framework identifies four long term strategic objectives:

1. Making lifelong learning and mobility a reality;
2. Improving the quality and efficiency of education and training;
3. Promoting equity, social cohesion and active citizenship;
4. Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

Based on these four strategic objectives, a number of priority areas were identified for concrete follow-up activities – for example expanding opportunities for mobility of students or enhancing partnerships between education and training institutions, and broader society. In addition, EU-level benchmarks have been set for 2010 and 2020.

The benchmarks for 2010 are:

- the share of 15-year olds underachieving in reading should decrease by at least 20%;
- the average rate of early school leavers should be no more than 10%;
- at least 85% of 22-year olds should have completed upper secondary education;
- the total number of graduates in mathematics, science and technology should increase by at least 15%, while the gender imbalance in these subjects should be reduced
- the average participation of the working adult population in lifelong learning (age group 25-64) should reach at least 12.5%.

The benchmarks to be achieved by 2020 are:

- at least 95% of children between the age of four and the age for starting compulsory primary education should participate in early childhood education;
- the share of 15-year olds with insufficient abilities in reading, mathematics and science should be less than 15%;
- the share of early leavers from education and training should be less than 10%;
- the share of 30-34 year olds with tertiary educational attainment should be at least 40%;

[7] The bulk of EU funding in the area of education flows to tertiary education and lifelong learning programmes.

- an average of at least 15 % of adults (age group 25-64) should participate in lifelong learning.

The data in the table[8] below tells us that[9]:

- More than 4% of total actual spending by the EU goes to education and training;
- Lifelong learning is the most important pillar of education policy at EU level;
- Approximately 32.9% of funding from the European Social Fund is allocated to projects with educational and training purposes, particularly vocational training.

[8] The analysis for this and all policy areas took into account not only the operational expenditure, but the administrative expenditure that is directly and indirectly related to the policy area.

[9] The commitments appropriations could not be identified for a range of subcategories of the EU budget (hatched). This does not imply that no commitments were made for these subcategories of expenditure.

Table 4: Breakdown of total Community expenditure in the field of education and training, by heading (1)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
Code	**Title 15 — Education and Culture**									
15 01	Administrative expenditure of Education and culture policy area* (indirectly allocated based on defined key)		€ 83.158.407		€ 76.823.735		€ 78.529.461			
15 01 04 14	Erasmus Mundus — Expenditure on administrative management		€ 770.000		€ 2.536.000		€ 1.373.450		€ 1.184.443	-35,0%
15 01 04 17	Cooperation with non-member countries on education and vocational training — Expenditure on administrative management		€ 65.000		€ 115.000		€ 92.049		€ 199.988	-67,5%
15 01 04 22	Lifelong learning — Expenditure on administrative management		€ 8.843.000		€ 7.743.000		€ 11.582.223		€ 10.546.176	-16,1%
15 02	Lifelong learning, including multilingualism	€ 1.152.378.500	€ 1.115.302.000	€ 1.075.137.000	€ 1.051.292.000	€ 1.092.844.025	€ 1.060.338.044	€ 1.014.160.364	€ 971.188.015	14,8%
	Chapter 04 02 — European Social Fund	€ 10.827.964.982	€ 8.216.400.000	€ 10.793.147.498	€ 10.846.400.000	€ 10.622.597.077	€ 8.788.527.447	€ 10.503.063.164	€ 11.297.512.235	
	Indirectly allocation of ESF activities to education (32,9%)	€ 3.562.400.479	€ 2.703.195.600	€ 3.550.945.527	€ 3.568.465.600	€ 3.494.834.438	€ 2.891.425.530	€ 3.455.507.781	€ 3.716.881.525	-27,3%
	Developing educational and vocational training (32,3%)	€ 3.497.432.689	€ 2.653.897.200	€ 3.486.186.642	€ 3.503.387.200	€ 3.431.098.856	€ 2.838.694.366	€ 3.392.489.402	€ 3.649.096.452	
	Human Resources (0,6%)	€ 64.967.790	€ 49.298.400	€ 64.758.885	€ 65.078.400	€ 63.735.582	€ 52.731.165	€ 63.018.379	€ 67.785.073	
04 01 04 01	European Social Fund (ESF) and non-operational technical assistance — Expenditure on administrative management		€ 16.500.000		€ 16.500.000		€ 15.930.146		€ 13.230.199	
	Indirectly allocation to education (32,9%)		€ 5.428.500		€ 5.428.500		€ 5.241.018		€ 4.352.736	24,7%
	Chapter 04 06 — Instrument for Pre-Accession Assistance (IPA)-Human resources development									
04 06 01	Instrument for Pre-Accession Assistance (IPA)-Human resources development	€ 87.500.000	€ 29.835.000	€ 76.900.000	€ 66.890.250	€ 71.600.000	€ 0	€ 64.777.000	€ 0	

Table 5: Breakdown of total Community expenditure in the field of education and training, by heading (2)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Title 13 — Regional policy									
13 03	European Regional Development Fund and other regional operations	€ 28.215.511.094	€ 21.231.700.000	€ 28.184.036.173	€ 16.753.663.196	€ 28.436.561.007	€ 21.455.207.089	€ 27.264.244.792	€ 21.399.931.660	
	Indirectly allocation of ERDF activities to education (0,8%)	€ 225.724.089	€ 169.853.600	€ 225.472.289	€ 134.029.306	€ 227.492.488	€ 171.641.657	€ 218.113.958	€ 171.199.453	-0,8%
13 01 04 01	European Regional Development Fund (ERDF) — Expenditure on administrative management		€ 11.135.000		€ 13.100.000		€ 10.152.222		€ 9.629.212	
	Allocation of admin. ERDF costs to Education (0,8%)		€ 89.080		€ 104.800		€ 81.218		€ 77.034	15,6%
Subtotal	Total of general administrative overhead costs regional Policy		€ 66.861.131		€ 64.328.903		€ 65.216.319		€ 56.826.349	
	Allocation of total administrative overhead costs regional policy to ERDF (73,20%)		€ 48.942.348		€ 47.088.757		€ 47.738.346		€ 41.596.888	
	Allocation of admin. ERDF costs to Education (0,8%)		€ 391.539		€ 376.710		€ 381.907		€ 332.775	17,7%
	Total Community expenditure on 'Education'		**€ 4.116.931.726**	**€ 4.928.454.816**	**€ 4.913.804.901**	**€ 4.886.770.951**	**€ 4.220.686.556**	**€ 4.752.559.103**	**€ 4.875.962.144**	
	Total approp. - outturn EU Community budget			**€ 124.132.790.000**	**€ 101.882.620.000**	**€ 126.979.000.000**	**€ 104.294.090.000**	**€ 116.974.800.000**	**€ 111.506.490.000**	
	% of total EU Community budget outturn			**4,0%**	**4,8%**	**3,8%**	**4,0%**	**4,1%**	**4,4%**	

Source: Own calculations, based on the EU annual budget report 2009 and EU Budget Online[10]
Legend: - Hatched pattern: data not provided by EU budget online

[10] EU Budget Online only provides outturn data until the year 2008, not for 2009 and 2010.

As the annual EU budget reports do not provide detailed insight into the expenditure for the Lifelong Learning Programme, the research team analysed the annual programmes of DG Education and Culture to indicate the share of the different education funds in the total EU expenditure under the lifelong learning programme[11]. This is illustrated in the table below.

The table demonstrates that the bulk of funding is allocated to the Erasmus Programme (43.7%), which funds periods of study outside a student's home country, followed by the Leonardo da Vinci Programme for vocational training purposes (26.1%). This distribution of financial resources shows where the emphasis of the EU is in education and training.

[11] As the general budget of the European Union does not detail the destinations of funds under the lifelong learning programme, we relied on the annual work programme 2009 of the lifelong learning programme of DG Education and Culture, which gives a detailed overview of the budget of the Lifelong Learning Programme. Please note that these data do not reflect actual spending, but budgetary appropriations.

Table 6: Funds Lifelong learning Programme (indication of budgets)

Lifelearning programme	Budget 2009	% in total LLP budget	Source: Website DG Education - Annual Work Programme 2009
Programme Comenius	**€ 181.304.819,00**	**17,25%**	Target groups: Schools 1. Increase the mobility of pupils and educational staff (all levels - primary, secondary, etc.); 2. Enhance and increase partnerships between schools in different M.S.; 3. enhance language training: 4. Encourage participation in sports
Programme Erasmus	**€ 459.193.780,00**	**43,70%**	Target groups: Higher Education: EU's education and training programme for mobility and cooperation in higher education across Europe. Its different actions not only address students wishing to study and work abroad, but also higher education teachers and enterprise staff intending to teach abroad and to higher education staff seeking training abroad. In addition, Erasmus supports higher education institutions to work together through intensive programmes, networks and multilateral projects.
Programme Leonardo da Vinci	**€ 274.377.507,00**	**26,11%**	Target groups: vocational training: The Leonardo da Vinci programme links policy to practice in the field of vocational education and training (VET). Projects range from those giving individuals the chance to improve their competences, knowledge and skills through a period abroad, to Europe-wide co-operation between VET stakeholders in order to enhance the attractiveness, quality and performance of VET systems and practices.
Programme Grundtvig	**€ 60.750.074,00**	**5,78%**	Target groups: adult learning: Addresses the teaching and learning needs relating to all forms of adult learning which are not of a predominantly vocational nature, as well as the institutions and organisations providing or facilitating any form of such learning opportunities for adults – whether of a formal, non-formal or informal nature – including those involved in the initial and in-service training of staff.
Programme transversal	**€ 51.854.277,00**	**4,93%**	Target groups: transversal for all four sectoral programmes
1.Policy Cooperation and Innovation	€ 25.604.277,00	2,44%	Policy co-operation and innovation actions: supports study visits for education and vocational training specialists, as well as studies and comparative research in these fields at European level. The main objectives are to support policy development and co-operation in lifelong learning and to ensure an adequate supply of comparable data, statistics and analyses.
2. Language Learning	€ 12.650.000,00	1,20%	Linguistic diversity is a fact of life in Europe and it can encourage economic growth, personal development and inter-cultural dialogue. EU actions aim to promote language learning and the linguistic diversity in Europe.
3. ICT	€ 9.000.000,00	0,86%	EU actions aim to harness the power of Information and Communications Technologies (ICT) to develop innovative education and training practices, improve access to lifelong learning and help develop advanced management systems.
4. Dissemination and Exploitation of Results	€ 4.600.000,00	0,44%	In order to maximise their impact, activities and projects funded by the Lifelong Learning Programme, or previous programmes, should be made as widely known as possible to potential users. Therefore, it is necessary that each EU-funded project disseminates and exploits its own results.
Programme Jean Monnet	**€ 24.119.500,00**	**2,30%**	
1. Jean Monnet Action	€ 4.523.500,00	0,43%	The Jean Monnet programme stimulates teaching, research and reflection on European integration at higher education institutions throughout the world. With projects across the five continents, the programme reaches up to 250 000 students every year.
2. operating grants to specified institutions	€ 17.896.000,00	1,70%	Grants are awarded to support certain operational and administrative costs of the following named institutions pursuing an aim of European interest: - the College of Europe, the European University Institute - the European Institute of Public Administration etc.
3.operating grants to support other institutions	€ 1.700.000,00	0,16%	Grants may be awarded to support certain operational and administrative costs of European institutions or associations active in the field of education and training.
Others	€ 900.000,00	0,09%	
Total	**€ 1.050.799.957,00**	**100,0%**	

Source: Website DG Education, Annual Work Programme 2009, http://ec.europa.eu/dgs/education_culture/calls/docs/c_2009_6560.pdf. New data will be available as from 01-05. Specific figures for each programme will be available in the Education and Culture Activity Statement.

3.1.3. Research and Development (R&D)

Focusing on specific sectors through the provisions of the Treaties establishing the European Coal and Steel Community (ECSC) and the European Atomic Energy Community, the policy area of research was originally not very developed in the Community Treaties. It was the Single European Act (1986) and the Maastricht Treaty (1993) that reinforced EU research policy. Today, EU research policy coordinates the national research policies of the Member States and defines projects of interest to the EU in a wide range of science and technology domains. The overall key objective of EU research policy is to strengthen the scientific and technological basis of industry in the EU and to increase public and private R&D expenditure. The European Commission acknowledges that there is a direct link between the level of R&D expenditure and GDP growth[12].

The table below demonstrates some of the EU's weaknesses in the field of R&D - compared to countries, such as the United States and Japan. This spurred the Commission to seek to increase the financial resources within the Financial Framework for R&D activities. The low levels of private and public expenditure, the so-called R&D intensity, and the number of researchers in the labour force need to be tackled.

Table 7: Current R&D weaknesses in the EU

	EU-25	US	Japan
R&D intensity (% of GDP) (2004)	1.86	2.66	3.18
Share of R&D financed by industry (%) (1)	54.8	63.7	74.8
Researchers (FTE) per thousand labour force (2)	5.5	9.1	10.1
Share of world scientific publications (%) (2003)	38.3	31.1	9.6
Scientific publications per million population (2003)	639	809	569
Share of world triadic patents (%) (2000)	31.5	34.3	26.9
Triadic patents per million population (2000)	30.5	53.1	92.6
High-tech exports as a share of total manufacturing exports (%) (2003)	19.7	28.5	26.5
Share of world high-tech exports (%) (2003)	16.7	19.5	10.6

Source: DG Research website, based on Eurostat & OECD data

EU research programmes are implemented through both 'direct' and 'indirect' actions:

- The *direct* actions are R&D activities carried out by the European Commission in its so-called Joint Research Centre (JRCs) - 7 science and technology reference centres for the EU covering a variety of scientific areas - and fully financed by the EU budget;
- *Indirect* activities are research projects carried out by research centres, universities or enterprises with financial assistance (by means of a grant) from the EU under FP7. A grant can cover between 50% and 100% of total research costs. In addition, the Structural Funds, which require co-financing from the Member States' governments, enable the funding of R&D activities in Member States, as R&D often relates to social, economic and regional development.

The funding that is granted by the EU to research under FP7 comes from the EU budget. The 2007-2013 Financial Framework includes a reinforced envelope of EUR 50 521 million for FP7 and EUR 2.751 million for the Euratom respectively for the 2007-2013 and 2007-2011 periods. For FP7, this represents an increase compared with the previous FP6 of 41% (at 2004 prices). The investment efforts made by the European Union underline the importance of FP7 as a key instrument to

[12] DG Research, Building networks of knowledge. FP7. Tomorrow's answers start today, 2009

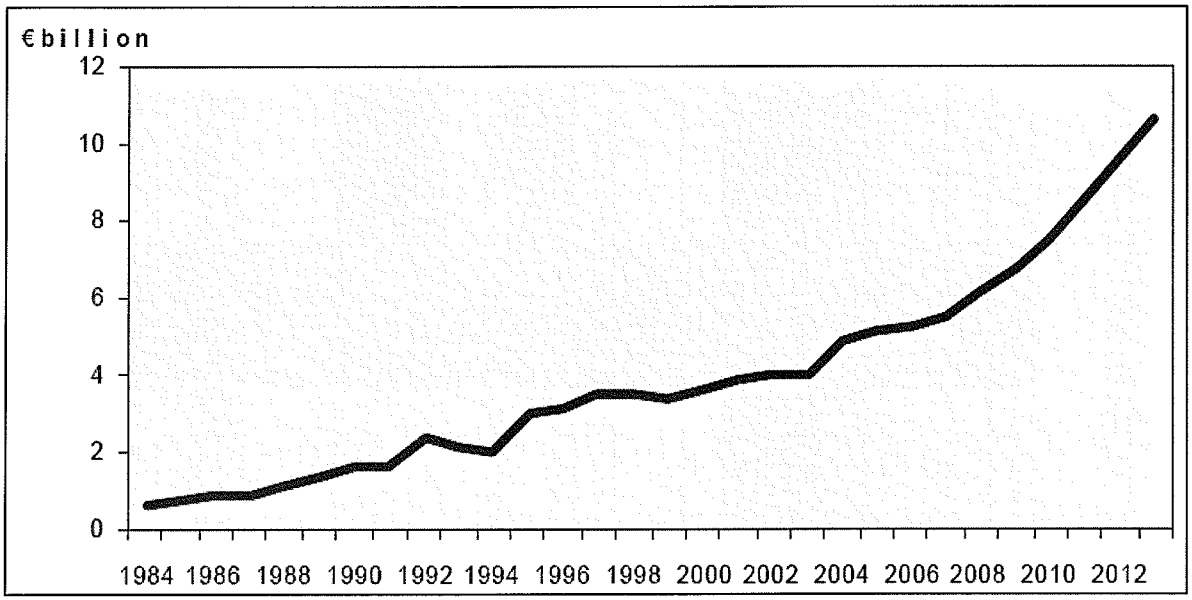
increase competitiveness of the European industry. Compared to FP6, FP7 is considered to be a more flexible research programme with simplified procedures and a more comprehensive scope[13].

FP7 is built upon five pillars:

- Cooperation: accounts for two thirds 3 of the overall budget and aims to foster collaborative research across Europe and its partner countries, through projects by transnational consortia of industry and academia;
- Ideas: supports 'frontier research' without any obligations for cross-border partnerships;
- People: supports researcher mobility and career development for researchers (inside and outside the EU) through so-called Marie Curie actions, or fellowships;
- Capacities: enforces the research capacities of the EU, covering research infrastructures, regions of knowledge, research potential, etc., science in society, etc.;
- Nuclear research:

The table below shows the positive trend in of annual budgets of the EU research framework programmes between 1984 and 2013.

Table 8: EU research framework programmes - annual budgets between 1984 and 2013[14]



Source: DG Research, 2009, http:// iftm2005.sabanciuniv.edu/eng/L.%20Karapiperis%20.ppt

[13] Website of the European Commission - FP7: http://cordis.europa.eu/fp7/dc/index.cfm

[14] DG Research, Building Knowledge. FP7. Tomorrow's answers start today. 2009

Table 9: Breakdown of total Community expenditure in the field of R&D, by heading (1)

	Million EUR	Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
Code		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Chapter 02 04 - Space and Security	€ 427.906.000	€ 343.156.000	€ 251.503.600	€ 207.262.500	€ 218.715.113	€ 130.852.231	€ 171.306.881	€ 120.985.686	
04 02	**Chapter 04 02 — European Social Fund**	€ 10.827.964.982	€ 8.216.400.000	€ 10.793.147.498	€ 10.846.400.000	€ 10.622.597.077	€ 8.788.527.447	€ 10.503.063.164	€ 11.297.512.235	
	Indirectly allocation to R&D (0,6%)	€ 64.967.790	€ 49.298.400	€ 64.758.885	€ 65.078.400	€ 63.735.582	€ 52.731.165	€ 63.018.379	€ 67.785.073	-27,3%
04 01 04 01	European Social Fund (ESF) and non-operational technical assistance — Expenditure on administrative management		€ 16.500.000		€ 16.500.000		€ 15.930.146		€ 13.230.199	
	Indirectly allocation to R&D (0,6%)		€ 99.000		€ 99.000		€ 95.581		€ 79.381	24,7%
	Chapter 06 06 — Research related to energy and transport									
06 06 01 01	Research related to energy	€ 123.292.000	€ 86.000.000	€ 128.685.000	€ 102.760.413	€ 153.087.312	€ 37.377.404	€ 118.864.068	€ 1.102.677	7699,2%
06 06 01 02	Research related to energy — Fuel Cells and Hydrogen (FCH) Joint Undertaking	€ 19.200.000	€ 11.520.000	€ 20.160.000	p.m.					
06 06 02 01	Research related to transport (including aeronautics)	€ 66.060.000	€ 35.000.000	€ 61.550.000	€ 58.639.200	€ 122.407.245	€ 62.062.013	€ 115.919.401	€ 30.967.251	13,0%
06 06 02 02	Research related to transport (including Aeronautics) — FCH Joint Undertaking	€ 2.900.000	€ 1.740.000	€ 2.900.000	€ 2.900.000					
06 06 02 03	SESAR Joint Undertaking	€ 53.700.000	€ 40.000.000	€ 51.500.000	€ 13.000.000					
06 06 04	Appropriations accruing from contributions from third parties to R&D development	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	€ 16.539.961	€ 7.814.527	
06 06 05	Completion of previous programmes									
06 06 05 01	Completion of programmes (prior to 2003)	—	€ 2.600.000	—	€ 5.500.000	€ 53.974	€ 9.112.204	€ 597.357	€ 37.398.215	-93,0%
06 06 05 02	Completion of the 6th EC framework programme (2003 to 2006)	—	€ 50.000.000	—	€ 59.000.000	€ 18.172	€ 83.234.802	€ 694	€ 137.500.279	-63,6%
	Chapter 06 06 — Total	**€ 265.152.000**	**€ 226.860.000**	**€ 264.795.000**	**€ 241.799.613**	**€ 284.261.827**	**€ 200.152.840**	**€ 251.921.480**	**€ 214.782.949**	**5,6%**

Table 10: Breakdown of total Community expenditure in the field of R&D, by heading (2)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
Code		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Title 08 — Research									
08 01	Administrative expenditure of Research policy area	€ 308.190.404	€ 308.910.404	€ 296.494.368	€ 296.494.368	€ 261.521.595	€ 261.521.595	€ 224.025.812	€ 224.025.812	37,9%
08 02	Cooperation — Health	€ 766.304.000	€ 532.714.000	€ 681.120.000	€ 438.000.000	€ 711.554.282	€ 397.387.794	€ 670.298.534	€ 61.344.663	768,4%
08 03	Cooperation — Food, agriculture and fisheries, and biotechnology	€ 213.848.000	€ 154.114.000	€ 203.784.000	€ 109.019.000	€ 214.080.084	€ 113.415.984	€ 199.475.661	€ 3.224.525	4679,4%
08 04	Cooperation — Nanosciences, nanotechnologies, materials and new production technologies	€ 413.278.000	€ 280.411.000	€ 420.845.000	€ 304.066.097	€ 399.740.799	€ 233.699.866	€ 380.709.684	€ 5.283.939	5206,9%
08 05	Cooperation — Energy	€ 150.436.000	€ 119.534.000	€ 148.721.000	€ 139.787.750	€ 130.836.184	€ 64.024.193	€ 117.952.364	€ 29.912.693	299,6%
08 06	Cooperation — Environment (including climate change)	€ 224.506.000	€ 187.690.000	€ 219.203.000	€ 178.992.500	€ 224.373.227	€ 129.898.181	€ 208.878.368	€ 4.053.558	4530,3%
08 07	Cooperation — Transport (including aeronautics)	€ 358.780.000	€ 328.222.000	€ 342.139.000	€ 321.617.000	€ 357.237.665	€ 215.273.017	€ 331.478.214	€ 8.077.559	3963,4%
08 08	Cooperation — Socioeconomic sciences and the humanities	€ 74.444.000	€ 59.152.000	€ 71.878.000	€ 49.202.000	€ 86.310.674	€ 53.293.413	€ 70.181.468	€ 2.805.246	2008,6%
08 09	Cooperation — Risk-sharing finance facility (EIB)	€ 50.000.000	€ 50.000.000	€ 120.000.000	€ 120.000.000	€ 0	€ 72.136.038	€ 163.648.000	€ 91.511.962	-45,4%
08 10	Ideas	€ 1.098.000.000	€ 536.009.000	€ 775.000.000	€ 215.861.000	€ 528.393.665	€ 229.609.159	€ 266.762.612	€ 1.360.400	39300,8%
08 11	People	€ 534.190.000	€ 284.000.000	€ 503.034.000	€ 393.004.000	€ 483.099.603	€ 280.714.563	€ 439.962.425	€ 11.915.070	2283,5%
08 12	Capacities — Research infrastructures	€ 212.392.000	€ 95.000.000	€ 187.666.000	€ 155.000.000	€ 147.479.484	€ 76.792.500	€ 106.572.692	€ 0	
08 13	Capacities — Research for the benefit of small and medium-sized enterprises (SMEs)	€ 153.354.000	€ 97.791.000	€ 123.613.000	€ 120.937.700	€ 151.424.571	€ 123.146.563	€ 123.314.905	€ 2.999.379	3160,4%
08 14	Capacities — Regions of knowledge	€ 16.957.000	€ 13.835.000	€ 16.078.000	€ 19.680.000	€ 10.332.000	€ 6.000.000	€ 10.173.792	€ 4.497.252	207,6%
08 15	Capacities — Research potential	€ 31.287.000	€ 23.888.000	€ 29.845.000	€ 46.960.650	€ 30.515.292	€ 16.894.350	€ 25.403.284	€ 0	
08 16	Capacities — Science in society	€ 50.203.000	€ 29.000.000	€ 33.732.000	€ 31.000.000	€ 40.989.168	€ 17.835.571	€ 30.432.332	€ 2.532.000	1045,3%
08 17	Capacities — International cooperation activities	€ 18.035.000	€ 16.969.000	€ 17.160.000	€ 14.952.000	€ 17.496.630	€ 11.211.705	€ 17.464.310	€ 5.216.280	225,3%
08 18	Capacities — Risk-sharing finance facility (EIB)	€ 30.000.000	€ 30.000.000	€ 31.500.000	€ 30.000.000	€ 0	€ 4.091.200	€ 40.912.000	€ 36.820.800	-18,5%
08 19	Capacities — Support for coherent development of research policies	€ 2.600.000	€ 7.476.000	€ 9.764.000	€ 9.265.000	€ 9.883.735	€ 2.672.435	€ 7.310.621	€ 2.143.354	248,8%
08 20	Euratom — Fusion energy	€ 384.274.000	€ 231.700.000	€ 378.888.000	€ 245.000.000	€ 280.250.000	€ 248.000.000	€ 227.221.000	€ 81.340.000	184,9%
08 21	Euratom — Nuclear fission and radiation protection	€ 50.259.000	€ 22.235.000	€ 49.255.000	€ 21.500.000	€ 46.410.000	€ 23.000.000	€ 49.000.000	€ 9.900.761	124,6%
08 22	Completion of previous framework programmes and other activities	p.m.	€ 729.601.000	p.m.	€ 1.254.196.000	€ 172.959.604	€ 1.842.161.516	€ 72.557.290	€ 2.063.765.456	-64,6%
08 23	Research programme of the research fund for coal and steel	p.m.	p.m.	p.m.	p.m.	€ 51.328.523	€ 41.935.165	€ 55.068.823	€ 42.509.415	
08 24	European Institute of Innovation and Technology	p.m.	p.m.	€ 5.800.000	€ 5.800.000	p.m.	p.m.			
	Title 08 — Total	**€ 5.142.057.404**	**€ 4.138.251.404**	**€ 4.659.719.368**	**€ 4.514.535.065**	**€ 4.356.463.719**	**€ 4.464.858.209**	**3 838 804 190,47**	**€ 2.695.240.125**	**53,5%**

Table 11: Breakdown of total Community expenditure in the field of R&D, by heading (3)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
Code		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Title 13 — Regional policy									
13 01 04 01	European Regional Development Fund (ERDF) — Expenditure on administrative management		€ 11.135.000		€ 13.100.000		€ 10.152.222		€ 9.629.212	
	Allocation of admin. ERDF costs to R&D (6,6%)		€ 734.910		€ 864.600		€ 670.047		€ 635.528	15,6%
Subtotal	Allocation of total administrative overhead costs REGIO		€ 66.861.131		€ 64.328.903		€ 65.216.319		€ 56.826.349	
	Allocation of total administrative overhead costs REGIO to ERDF (73,20%)		€ 48.942.348		€ 47.088.757		€ 47.738.346		€ 41.596.888	
	Allocation of admin. ERDF costs to R&D (6,6%)		€ 3.230.195		€ 3.107.858		€ 3.150.731		€ 2.745.395	17,7%
13 03	European Regional Development Fund and other regional operations	€ 28.215.511.094	€ 21.231.700.000	€ 28.184.036.173	€ 16.753.663.196	€ 28.436.561.007	€ 21.455.207.089	€ 27.264.244.792	€ 21.399.931.660	
	Indirectly allocated ERDF activities to R&D (6,6%)	€ 1.862.223.732	€ 1.401.292.200	€ 1.860.146.387	€ 1.105.741.771	€ 1.876.813.026	€ 1.416.043.668	€ 1.799.440.156	€ 1.412.395.490	-0,8%
	Chapter 09 05 — Capacities — Research infrastructures									
09 05 01	Capacities — Research infrastructures	€ 108.473.000	€ 70.000.000	€ 96.806.000	€ 66.869.000	€ 81.036.565	€ 58.439.966	€ 54.975.500	€ 24.386.166	187,0%
	Title 10 — Direct research									
10 01	Administrative expenditure of Direct research policy area	€ 316.450.000	€ 316.450.000	€ 300.040.000	€ 300.040.000	€ 318.006.755	€ 318.006.755	€ 307.822.621	€ 307.822.621	2,8%
10 02	Directly financed research operational appropriations — Seventh framework programme (2007 to 2013) — EC	€ 30.613.000	€ 32.000.000	€ 30.000.000	€ 29.120.000	€ 32.118.541	€ 29.268.134	€ 30.587.251	€ 20.141.077	58,9%
10 03	Directly financed research operational appropriations — Seventh framework programme (2007 to 2011) — Euratom	€ 9.358.000	€ 9.300.000	€ 8.200.000	€ 9.060.000	€ 10.088.397	€ 8.650.221	€ 10.462.206	€ 5.010.046	85,6%
10 04	Completion of previous framework programmes and other activities	p.m.	€ 797.000	p.m.	€ 1.300.000	€ 20.427.089	€ 22.389.104	€ 25.933.164	€ 42.663.973	-98,1%
10 05	Historical liabilities resulting from nuclear activities carried out by the Joint Research Centre pursuant to the Euratom Treaty	€ 26.900.000	€ 33.000.000	€ 32.600.000	€ 26.200.000	€ 22.587.465	€ 22.845.641	€ 26.928.119	€ 31.656.859	4,2%
	Title 10 — Total	**€ 383.321.000**	**€ 391.547.000**	**€ 370.840.000**	**€ 365.720.000**	**€ 403.228.247**	**€ 401.159.856**	**€ 401.733.361**	**€ 407.294.575**	**-3,9%**

Table 12: Breakdown of total Community expenditure in the field of R&D, by heading (4)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
	Chapter 11 05 — Fisheries research									
11 05 01	Appropriations accruing from contributions from (non-European Economic Area) third parties to research and technological development	—	—	p.m.	p.m.	p.m.	p.m.	€ 93.220	€ 963.755	
11 05 02	Completion of previous programmes									
11 05 02 01	Completion of previous programmes (prior to 2003)	—	—	—	p.m.	—	€ 1.500.000	€ 0	€ 4.386.313	
11 05 02 02	Completion of the sixth EC framework programme (2003 to 2006)	—	—	—	€ 7.000.000	—	€ 7.000.000	€ 0	€ 6.326.883	
	Chapter 11 05 — Total	—	—	**p.m.**	**€ 7.000.000**	**p.m.**	**€ 8.500.000**	**€ 93.220**	**€ 11.676.951**	
	Total Community expenditure on R&D		**€ 6.624.469.109**	**€ 7.578.341.698**	**€ 6.583.877.807**	**€ 7.279.228.381**	**€ 6.728.144.476**	**€ 6.983.636.131**	**€ 5.580.084.842**	**18,7%**
	Total approp. - outturn EU Community budget			**€ 124.132.790.000**	**€ 101.882.620.000**	**€ 126.979.000.000**	**€ 104.294.090.000**	**€ 116.974.800.000**	**€ 111.506.490.000**	
	% of total EU Community budget			**6,1%**	**6,5%**	**5,7%**	**6,5%**	**6,0%**	**5,0%**	

Source: Own calculations, based on the EU Annual Budget report 2007, 2008, 2009

Legend:
- hatched pattern: data are not provided by the EU annual budget reports
- p.m. (pro memoria): token entry / figures not available yet

3.1.4. Social policy

The EU's strategy for Growth and Jobs, better known as the Lisbon Strategy, targets improving the lives of EU citizens by giving them better job prospects and skills. The European Employment Strategy (EES) is based on employment guidelines that are drawn from the Lisbon Strategy and that set out common priorities for Member States' employment policies, which are agreed at EU level. Each Member State then draws up a programme describing how it will implement the guidelines nationally. The European Commission reviews progress on the implementation of the national programmes.

The European Social Fund is the EU's main financial instrument for investing in people, helping them enhance their education and skills, and improving their job prospects. Among other things, it assists EU citizens by providing financial support for actions such as training and enhancing skills. For that purpose, the ESF invests €10 billion a year in all Member States. During 2007-2013 some €75 billion will be distributed to the Member States. Funding is spread across the EU Member States, according to the level of socio-economic development (eligibility areas)[15].

The emphasis of the current ESF programming period lies on increasing the adaptability of workers, enterprises and entrepreneurs by improving their ability to anticipate economic change and globalisation. The ESF supports the modernisation of labour market institutions, activation measures (skills enhancement of workers, support for jobseekers, etc.) and lifelong learning actions. Ensuring accessibility to the labour market, social inclusion and promoting labour market participation are also part of the scope of the European Social Fund.

In 2008, the European Commission launched a renewed social agenda for improving the well-being and quality of life of European citizens, while respecting the principles of subsidiarity and proportionality. The priorities are:

- Improving the life chances of young people (by empowering and equipping them);
- Promoting new skills for new jobs, fulfilling careers and better employment;
- Fostering longer and healthier lives;
- Combating poverty and social exclusion;
- Promoting gender equality and equal opportunities;
- Shaping the international agenda to promote European values;
- Ensuring the appropriate policy mix and increasing the effectiveness of EU instruments.

[15] Website European Social Fund: http://ec.europa.eu/employment_social/esf/

Table 13: Breakdown of total Community expenditure in the field of social policy by heading (1)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Titre 04 —Employment and Social Affairs									
04 01	Administrative expenditure of Employment and social affairs policy area (min. 04 01 04 01)	€ 85.169.984	€ 85.169.984	€ 83.342.839	€ 83.342.839	€ 83.198.158	€ 83.198.157	€ 77.150.536	€ 77.150.536	10,4%
04 01 04 01	European Social Fund (ESF) — Expenditure on administrative management	*€ 16.500.000*	€ 16.500.000	*€ 16.500.000*	€ 16.500.000	*€ 15.346.086*	€ 15.346.086	*€ 13.230.199*	€ 13.230.199	
	Indirectly allocation to Social policy domain (62,8%)	*€ 10.362.000*	€ 10.362.000	*€ 10.362.000*	€ 10.362.000	*€ 9.637.342*	€ 9.637.342	*€ 8.308.565*	€ 8.308.565	24,7%
04 02	European Social Fund	€ 10.827.964.982	€ 8.216.400.000	€ 10.793.147.498	€ 10.846.400.000	€ 10.622.597.077	€ 8.788.527.447	€ 10.503.063.164	€ 11.297.512.235	
	Indirectly allocation to Social policy domain (62,8%)	€ 6.799.962.009	€ 5.159.899.200	€ 6.778.096.629	€ 6.811.539.200	€ 6.670.990.965	€ 5.519.195.237	€ 6.595.923.667	€ 7.094.837.684	-27,3%
	Labour market policy (25,9%)	€ 2.804.442.930	€ 2.128.047.600	€ 2.795.425.202	€ 2.809.217.600	€ 2.751.252.643	€ 2.276.228.609	€ 2.720.293.360	€ 2.926.055.669	-27,3%
	Social inclusion (14,2%)	€ 1.537.571.027	€ 1.166.728.800	€ 1.532.626.945	€ 1.540.188.800	€ 1.508.408.785	€ 1.247.970.898	€ 1.491.434.969	€ 1.604.246.737	-27,3%
	Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (17,8%)	€ 1.927.377.767	€ 1.462.519.200	€ 1.921.180.255	€ 1.930.659.200	€ 1.890.822.280	€ 1.564.357.886	€ 1.869.545.243	€ 2.010.957.178	-27,3%
	Positive labour market actions for woman (4,94%)	€ 534.901.470	€ 405.890.160	€ 533.181.486	€ 535.812.160	€ 524.756.296	€ 434.153.256	€ 518.851.320	€ 558.097.104	-27,3%
04 03	Working in europe — Social dialogue and mobility	€ 72.500.000	€ 62.700.000	€ 67.426.000	€ 61.884.125	€ 65.292.494	€ 56.629.426	€ 66.647.708	€ 52.490.745	19,4%
04 04	Employment, social solidarity and gender equality	€ 158.690.593	€ 135.500.593	€ 147.220.000	€ 124.304.000	€ 120.232.154	€ 105.137.112	€ 117.452.232	€ 97.031.265	39,6%
04 05	European Globalisation Adjustment Fund (EGF)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	€ 18.610.968	€ 18.610.968	
04 06	Instrument for Pre-Accession Assistance (IPA) — Human resources development	€ 87.500.000	€ 29.835.000	€ 76.900.000	€ 66.890.250	€ 71.600.000	€ 0	€ 64.777.000	€ 0	
	*IPA- Employment and Social Affairs**			€ 68.790.250		€ 18.900.000				

Table 14: Breakdown of total Community expenditure in the field of social policy by heading (2)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Titre 13 — Regional policy									
13 03	European Regional Development Fund and other regional operations	€ 28.215.511.094	€ 21.231.700.000	€ 28.184.036.173	€ 16.753.663.196	€ 28.436.561.007	€ 21.455.207.089	€ 27.264.244.792	€ 21.399.931.660	
	Indirectly allocation of ERDF activities to social policy (2,0%)	€ 564.310.222	€ 424.634.000	€ 563.680.723	€ 335.073.264	€ 568.731.220	€ 429.104.142	€ 545.284.896	€ 427.998.633	-0,8%
13 01 04 01	European Regional Development Fund (ERDF) — Expenditure on administrative management	*€ 11.135.000*	€ 11.135.000	*€ 13.100.000*	€ 13.100.000	*€ 11.135.000*	€ 11.135.000	*€ 9.629.212*	€ 9.629.212	
	Allocation of admin. ERDF costs to Social policy (2,0%)	*€ 222.700*	€ 222.700	*€ 262.000*	€ 262.000	*€ 222.700*	€ 222.700	*€ 192.584*	€ 192.584	15,6%
Subtotal	Total of general administrative overhead costs REGIONAL Policy	*€ 66.861.131*	€ 66.861.131	*€ 64.328.903*	€ 64.328.903	*€ 65.216.319*	€ 65.216.319	*€ 56.826.349*	€ 56.826.349	
	Allocation of total administrative overhead costs REGIO to ERDF (73,20%)	*€ 48.942.348*	€ 48.942.348	*€ 47.088.757*	€ 47.088.757	*€ 47.738.346*	€ 47.738.346	*€ 41.596.888*	€ 41.596.888	
	Allocation of admin. ERDF costs to Social policy (2,0%)	*€ 978.847*	€ 978.847	*€ 941.775*	€ 941.775	*€ 954.767*	€ 954.767	*€ 831.938*	€ 831.938	17,7%
	Total Community expenditure on 'social policy'	**€ 7.692.196.355**	**€ 5.879.467.324**	**€ 7.651.331.966**	**€ 7.427.709.203**	**€ 7.519.259.800**	**€ 6.204.078.882**	**€ 7.430.403.095**	**€ 7.777.452.919**	**-24,4%**
	Total approp. - outturn EU Community budget			**€ 124.132.790.000**	**€ 101.882.620.000**	**€ 126.979.000.000**	**€ 104.294.090.000**	**€ 116.974.800.000**	**€ 111.506.490.000**	
	% of total EU Community budget			**6,2%**	**7,3%**	**5,9%**	**5,9%**	**6,4%**	**7,0%**	

Source: own calculations, based on the EU annual budget reports 2007, 2008, 2009 - Budget Online

Legend:

- *hatched pattern: data are not provided by the EU annual budget reports*
- *p.m. (pro memoria): token entry / figures not available yet*

3.1.5. Humanitarian and Development aid

EU action in the field of development is based on the European Consensus on Development[16], signed in 2005, whereby all EU Member States and the EU institutions agreed to a common EU vision of development. The EU's contribution is focused on certain areas of intervention, responding to the needs of partner countries, and identifies a number of shared values, goals and principles which all actors in Europe implement in their development policies. The EU is committed to increasing its official development assistance to 0.56% of its gross national income by 2010, on the way to achieving the UN target of 0.7% by 2015. It has also been agreed that half of the additional aid will go to Africa, and that the EU and its Member States are committed to making aid more effective through better coordination and complementarity.

Desk research and interviews with stakeholders reveal that (humanitarian and) development aid is a policy area with a relatively high level of budgetary coordination, both among Member States as well as between the EU level and the Member States. The influence of United Nations strategies in this domain on the development strategies in Europe should not be underestimated. As an illustration, the EU has agreed in the European Consensus on Development to increase its official development assistance by 2015 and imposes coordination. Moreover, achieving the Millennium Development Goals established within the UN framework is regarded as a fundamental underpinning of EU policy.

DG Development and Relations with African, Caribbean and Pacific (ACP) countries is responsible for the Commission's input to EU external relations with about half the countries in the world and for drawing up development policy overall. It aims to underline the added value of a Europe working together to tackle common challenges. Consequently, DG Development drafts cooperation strategies with ACP countries and overseas countries, and coordinates and monitors all the funding that is provided through the European Development Fund (EDF) and the Development Cooperation Instrument (DCI) – the two main EU financial instruments for development policy.

Other DGs of the Commission are also involved in shaping the humanitarian and development strategies of the EU:

- DG Trade helps developing countries expand their external trade via improved access to the EU market;
- DG External Relations is accountable for the Commission relations with the outside world in general (whereas DG Development works through predefined programmes for specific countries);
- Europe Aid: is responsible for the implementation of the EU's external aid programmes, based on the policies of DG Development and DG External Relations;
- DG ECHO (the European Commission Humanitarian Office) provides direct emergency relief to victims of disaster and war outside the EU;
- DG Enlargement monitors financial assistance to potential and future EU countries.

[16] Official Journal of the European Union, The European Consensus on Development, (2006/C 46/01), 24/2/2006

Table 15: Breakdown of EU expenditure in humanitarian and development aid, by heading (1)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Chapter 19 09 — Relations with Latin America									
19 09 01	Cooperation with developing countries in Latin America	€ 356.268.000	€ 306.484.268	€ 353.681.000	€ 329.810.000	€ 346.327.000	€ 310.085.282	€ 339.764.080	€ 341.001.717	-10,1%
	Chapter 19 09 — Total	**€ 356.268.000**	**€ 309.484.268**	**€ 355.681.000**	**€ 332.810.000**	**€ 347.827.000**	**€ 310.085.282**	**€ 339.764.080**	**€ 341.001.717**	-9,2%
	Chapter 19 10 — Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen)									
19 10 01 01	Cooperation with developing countries in Asia	€ 523.450.000	€ 483.097.103	€ 517.156.000	€ 464.690.000	€ 521.729.936	€ 476.818.026	€ 490.787.095	€ 496.063.262	-2,6%
19 10 01 02	Aid for the rehabilitation and reconstruction of Afghanistan	€ 160.000.000	€ 145.000.000	€ 144.000.000	€ 150.000.000	€ 144.000.000	€ 121.365.827	€ 162.100.000	€ 180.995.316	-19,9%
19 10 02	Cooperation with developing countries in Central Asia	€ 124.478.000	€ 70.000.000	€ 104.714.000	€ 69.667.000	€ 63.357.009	€ 52.719.913	€ 61.009.860	€ 40.096.620	74,6%
19 10 03	Cooperation with Iraq, Iran and Yemen	€ 46.970.000	€ 60.000.000	€ 49.630.400	€ 60.000.000	98 449 000	€ 18.000.000	€ 108.680.000	€ 73.997.963	-18,9%
	Chapter 19 10 — Total	**€ 854.898.000**	**€ 769.397.103**	**€ 827.500.400**	**€ 755.357.000**	**€ 839.535.945**	**€ 672.602.480**	**€ 836.576.955**	**€ 791.153.159**	-2,7%
	Title 21 — Development and relations with ACP States									
21 01	Administrative expenditure of Development and relations with ACP States policy area	€ 306.661.077	€ 306.661.077	€ 300.144.538	€ 300.144.538	€ 340.081.543	€ 340.081.543	€ 319.778.083	€ 319.778.083	-4,1%
21 02	Food security	€ 402.466.452	€ 548.700.000	€ 715.185.000	€ 662.000.000	€ 216.955.668	€ 258.209.564	€ 201.277.345	€ 301.378.700	82,1%
21 03	Non-State actors in development	€ 218.263.951	€ 170.000.000	€ 216.987.000	€ 160.000.000	€ 215.306.765	€ 173.534.877	€ 210.854.099	€ 168.548.269	0,9%
21 04	Environment and sustainable management of natural resources, including energy	€ 203.345.000	€ 154.300.000	€ 143.409.150	€ 142.569.050	€ 100.984.220	€ 77.365.680	€ 84.384.556	€ 80.711.055	91,2%
21 05	Human and social development	€ 156.411.491	€ 148.471.430	€ 140.882.500	€ 147.200.000	€ 154.303.937	€ 126.749.518	€ 95.286.940	€ 128.951.934	15,1%
21 06	Geographical cooperation with ACP States	€ 307.109.045	€ 230.000.000	€ 301.239.000	€ 215.200.000	€ 326.962.429	€ 228.161.245	€ 346.663.948	€ 161.863.492	42,1%
21 07	Development cooperation actions and ad hoc programmes	€ 32.779.000	€ 29.900.000	€ 32.579.000	€ 32.579.000	€ 29.769.429	€ 24.060.331	€ 29.275.273	€ 29.252.242	2,2%
21 08	Policy strategy and coordination for Development and relations with ACP States policy area	€ 19.373.000	€ 19.577.000	€ 17.677.000	€ 18.222.000	€ 18.466.527	€ 13.187.644	€ 17.157.155	€ 20.004.196	-2,1%
21 49	Expenditure on administrative management of programmes committed in accordance with the former Financial Regulation			—	p.m.	—	€ 3.413	€ 0	€ 22.299	
	Title 21 — Total	**€ 1.646.409.016**	**€ 1.607.609.507**	**€ 1.868.103.188**	**€ 1.677.914.588**	**€ 1.402.830.518**	**€ 1.241.353.813**	**€ 1.304.677.398**	**€ 1.210.510.271**	32,8%

Table 16: Breakdown of EU expenditure in humanitarian and development aid, by heading (2)

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Commitments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Title 23 — Humanitarian aid									
23 01	Administrative expenditure of Humanitarian aid policy area	€ 29.045.155	€ 29.045.155	€ 28.509.197	€ 28.509.197	€ 26.933.863	€ 26.933.863	€ 26.553.204	€ 26.553.204	9,4%
23 02	Humanitarian aid including aid to uprooted people, food aid and disaster preparedness	€ 791.318.000	€ 791.318.000	€ 767.851.000	€ 767.851.000	€ 928.829.614	€ 868.799.352	€ 731.429.572	€ 731.302.504	8,2%
	Title 23 — Total	**€ 820.363.155**	**€ 820.363.155**	**€ 796.360.197**	**€ 796.360.197**	**€ 955.763.478**	**€ 895.733.215**	**€ 757.982.776**	**€ 757.855.707**	**8,2%**
	Total Community expenditure on 'Human. & developm. aid'	**€ 3.677.938.171**	**€ 3.506.854.033**	**€ 3.847.644.785**	**€ 3.562.441.785**	**€ 3.545.956.940**	**€ 3.119.774.790**	**€ 3.239.001.208**	**€ 3.100.520.855**	
	Total approp. - outturn EU Community budget			**€ 124.132.790.000**	**€ 101.882.620.000**	**€ 126.979.000.000**	**€ 104.294.090.000**	**€ 116.974.800.000**	**€ 111.506.490.000**	
	% of total EU Community budget			**3,1%**	**3,5%**	**2,8%**	**3,0%**	**2,8%**	**2,8%**	

Source: own calculations, based on the EU annual budget reports 2007, 2008, 2009 - Budget Online
Legend:

- *Hatched pattern: data are not provided by the EU annual budget reports*
- *p.m. (pro memoria): token entry, figures not available yet*

3.1.6. Common foreign and security policy (CFSP)

The Maastricht Treaty reflected, among other things, a desire among EU Member States to strengthen foreign policy, with the introduction of a second pillar for CFSP based on intergovernmentalism (meaning that the unanimity is required among the Members of the Council of Ministers)[17]. The "intergovernmentalism" approach limits the influence of EU institutions, other than the Council of Ministers. Subsequently, the Amsterdam Treaty introduced the position of High Representative for CFSP to coordinate and represent the EU's foreign policy, a position strengthened by the Treaty of Lisbon with the creation of the High Representative of the Union for Foreign Affairs and Security Policy within the European Commission.

The objectives of the foreign and security policy are to:

- Safeguard common values, fundamental interests, independence and integrity of the EU;
- Strengthen the security of the EU in all ways;
- Preserve peace and strengthen international l security;
- Promote international cooperation;
- Develop and consolidate democracy, rule of law and respect for human rights.

CFSP expenditure is charged to the general budget of the European Union, with the exception of expenditure arising from operations having military or defence implications. In addition, the EU treaty enables rapid access to budget appropriations for urgent financing of initiatives in the framework of the common foreign and security policy, and in particular for preparatory activities for the Petersberg tasks (humanitarian tasks and rescue of nationals, peace-keeping tasks, tasks of combat forces in crisis management, including peacemaking, etc.). A start-up fund consisting of contributions from the Member States is also created to fund preparatory activities for the Petersberg tasks, which are not covered by the general budget of the EU.

[17] The second CFSP pillar was later removed by the Treaty of Lisbon in 2009.

Table 17: Breakdown of EU expenditure in CFSP, by heading

		Appropriations 2010		Appropriations 2009		Outturn 2008		Outturn 2007		Evolution 2007-2010 (%)
		Committments	Payments	Committments	Payments	Committments	Payments	Committments	Payments	
	Title 19 — External relations									
19 01	Administrative expenditure of External relations policy area	€ 435.309.871	€ 435.309.871	€ 417.287.070	€ 417.287.070	€ 387.207.238	€ 387.207.238	€ 374.994.049	€ 374.994.049	16,1%
19 02	Multilateral relations, cooperation with third countries in the areas of migration and asylum, and general external relations matters	€ 52.959.000	€ 50.000.000	€ 51.309.000	€ 35.000.000	€ 52.154.313	€ 54.157.619	€ 47.955.438	€ 18.786.506	166,1%
19 03	Common foreign and security policy (CFSP)	€ 280.891.000	€ 225.000.000	€ 242.750.000	€ 234.000.000	€ 289.154.619	€ 194.816.148	€ 159.470.690	€ 89.892.247	150,3%
19 04	European Instrument for Democracy and Human Rights (EIDHR)	€ 154.224.200	€ 148.400.000	€ 148.354.000	€ 139.902.000	€ 142.837.332	€ 112.160.840	€ 133.542.917	€ 123.900.833	19,8%
19 05	Relations and cooperation with industrialised non-member countries	€ 23.640.000	€ 17.713.000	€ 28.207.000	€ 21.297.000	€ 24.863.146	€ 15.932.293	€ 24.482.337	€ 11.595.512	52,8%
19 06	Crisis response and global threats to security	€ 295.711.882	€ 256.305.160	€ 261.252.000	€ 253.786.269	€ 246.909.666	€ 202.612.949	€ 212.053.754	€ 104.593.751	145,0%
19 08	European Neighbourhood Policy and relations with Russia	€ 1.722.667.073	€ 1.384.200.000	€ 1.645.182.039	€ 1.357.973.000	€ 1.735.317.847	€ 1.493.695.509	€ 1.628.876.011	€ 1.400.819.735	-1,2%
19 09 02	Preparatory action — Cooperation with middle income group countries in Latin America	p.m	€ 3.000.000	€ 2.000.000	€ 3.000.000	€ 1.500.000	€ 0			
19 10 01 02	Aid for the rehabilitation and reconstruction of Afghanistan	€ 160.000.000	€ 145.000.000	€ 144.000.000	€ 150.000.000	€ 150.000.000	€ 150.000.000	€ 162.100.000	€ 180.995.316	
19 10 01 03	Preparatory action — Business and scientific exchanges with India	—	€ 4.500.000	€ 5.000.000	€ 5.000.000	€ 5.000.000	€ 3.000.000	€ 7.000.000	€ 0	
19 10 01 04	Preparatory action — Business and scientific exchanges with China	—	€ 1.300.000	€ 5.000.000	€ 4.000.000	€ 5.000.000	€ 3.000.000	€ 7.000.000	€ 0	
19 10 01 05	Preparatory action — Cooperation with middle income group countries in Asia	p.m		€ 2.000.000	€ 2.000.000	€ 2.000.000	€ 2.000.000			
19 11	Policy strategy and coordination for External relations policy area	€ 31.500.000	€ 32.400.000	€ 33.350.000	€ 25.806.000	€ 24.617.520	€ 21.712.324	€ 24.984.636	€ 22.129.365	46,4%
19 49	Expenditure on administrative management of programmes committed in accordance with the former Financial Regulation	—	p.m.	—	p.m.	—	€ 808	€ 0	€ 828.124	
	Total Community expenditure on 'CFSP'	**€ 3.156.903.026**	**€ 2.703.128.031**	**€ 2.985.691.109**	**€ 2.649.051.339**	**€ 3.066.561.681**	**€ 2.640.295.728**	**€ 2.782.459.833**	**€ 2.328.535.438**	**16,1%**
	Total approp. - outturn EU Community budget			**€ 124.132.790.000**	**€ 101.882.620.000**	**€ 126.979.000.000**	**€ 104.294.090.000**	**€ 116.974.800.000**	**€ 111.506.490.000**	
	% of total EU Community budget			**2,4%**	**2,6%**	**2,4%**	**2,5%**	**2,4%**	**2,1%**	

Source: own calculations, based on the EU annual budget reports 2007, 2008, 2009 - Budget Online / Legend: hatched pattern: data are not provided by the EU annual budget reports p.m. (pro memoria): token entry / figures not available yet

3.2. ANALYSIS OF NATIONAL BUDGETS AND THEIR LEVEL OF IMPLEMENTATION

This chapter aims to analyse the policy priorities of four Member States (Slovenia, Belgium, France and Portugal) for the five selected policy areas: education, R&D, social policy, development and humanitarian aid, and foreign and security policy. The analysis is based on information obtained from interviews with national government stakeholders, as well as from desk research (official government document, policy strategies, etc.). Moreover, the analyses focus on the level of compatibility of the national objectives with the policy priorities at EU level.

3.2.1. Education

3.2.1.1. Overall analysis (EU-27)

In all 27 Member States, a significant share of public expenditure is spent on education, of which staff accounts for the largest amounts of expenditure[18]. Primary and secondary education is predominantly a responsibility of the national governments. The EU primarily focuses on tertiary education and lifelong learning programmes.

The table below provides an overview of public expenditure in the Member States regarding education. It should be noted that the analysis only covers public expenditure and does not include private funding to educational purposes (through school fees, materials, boarding fees, meals, etc.)[19]. The data in the table indicate that[20]:

- In 2006, public expenditure on education in the Member States was equivalent to 5.04 % of GDP. Since 2003, public expenditure in the Member States is decreasing from 5.14% of EU-27 in 2003 to 5.04% in 2005 and 2006.
- The highest public spending on education is to be found in Denmark (7.98 % of GDP in 2006), followed by Cyprus (7.02 %), Sweden (6.85 %), and Finland (6.14%). Also Malta is generally recognised as a Member State with a high level of public spending on education. The proportion of public expenditure on education is below 4% of GDP in Slovakia and Luxemburg[21]. However, it should be taken into consideration that the tertiary education system in Luxemburg is undersized and that the majority of tertiary students attend courses in surrounding Member States (Belgium, Germany and France).
- GDP growth could mask the efforts that Member States have been made in education spending. In absolute terms, the majority of the Member States recorded a significant increase in education spending.
- The cost of teaching increases substantially with each step forward within the education system. This means that the expenditure per pupil/student is higher for universities than for primary schools. Nevertheless, the secondary level accounts for the highest proportion of total education spending, as a larger share of the total number of pupils are present at the level. Austria, Denmark and the Netherlands, have the highest expenditure per student (combined for all levels of education).

[18] Based on interviews with education government officials in the Member States.

[19] Within this respect, it should be noted that at the tertiary level, spending on R&D can be significant and is included in the data.

[20] Eurostat database, most recent 'Public expenditure on education in the EU', 2009 (15/03/2010)

[21] Although data for 2006 are not available for these countries, Greece and Romania reported figures below 3% in earlier years.

Table 18: Public expenditure on education, 2006, % of GDP, allocations of expenditure to levels of education

Country	% of GDP 2006	Expenditure per pupil/student (all levels)*	pre-primary level, % GDP (all levels)	primary level, % GDP (all levels)	Secondary level, % of GDP (all levels)	Tertiary level, % of GDP (all levels)
European Union (27)	5,04	€ 5.940,90	0,50	1,18	2,23	1,13
Euro area (16 countries)			0,50	1,06	2,22	1,12
Belgium	6,00	€ 7.012,90	0,71	1,41	2,55	1,32
Bulgaria	4,24	€ 2.138,90	0,77	0,84	1,90	0,73
Czech Republic	4,61	€ 4.441,90	0,54	0,62	2,22	1,23
Denmark	7,98	€ 8.329,50	0,87	1,89	2,95	2,27
Germany	4,40	€ 6.461,60	0,46	0,65	2,18	1,11
Estonia	4,80	€ 3.216,60	0,36	1,19	2,33	0,92
Ireland	4,74	€ 6.578,10	0,00	1,61	2,00	1,14
Greece						
Spain	4,28	€ 6.141,30	0,55	1,10	1,68	0,95
France	5,58	€ 6.509,90	0,63	1,12	2,63	1,19
Italy	4,73	€ 6.464,70	0,50	1,19	2,24	0,80
Cyprus	7,02	€ 7.100,90	0,34	1,95	3,08	1,65
Latvia	5,07	€ 3.126,10	0,66	1,29	2,21	0,91
Lithuania	4,84	€ 2.761,40	0,59	0,73	2,52	1,00
Luxembourg	3,41			1,83	1,58	
Hungary	5,41	€ 4.008,10	1,00	1,06	2,33	1,04
Malta						
Netherlands	5,46	€ 7.477,20	0,41	1,37	2,18	1,50
Austria	5,44	€ 8.583,10	0,40	1,01	2,55	1,48
Poland	5,25	€ 3.061,70	0,53	1,71	2,05	0,96
Portugal	5,25	€ 5.006,70	0,54	1,58	2,12	1,00
Romania						
Slovenia	5,72	€ 6.323,40	0,51	2,56	1,42	1,24
Slovakia	3,79	€ 2.940,00	0,47	0,67	1,76	0,90
Finland	6,14	€ 6.388,90	0,34	1,27	2,59	1,94
Sweden	6,85	€ 7.411,00	0,60	1,71	2,68	1,84
United Kingdom	5,48	€ 7.937,40	0,39	1,61	2,37	1,10

Source: Eurostat
Shaded=data are not available on Eurostat.org

3.2.1.2. Slovenia

Policy priorities

The table below briefly explains the current main policy priorities in the field of education in Slovenia.

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
General education and development of adult education and learning	Enhancing skills and competence levels during the various stages of life, improving the life quality of each individual and equal opportunities for more social inclusion, are considered as necessary conditions for successful economic development and promotion of democracy. • Increase general-educational and cultural level, personal development and social inclusion; • Active citizenship; • Focus on health education; • Preservation of cultural traditions and national identity; • Developing writing skills; • Reducing social disparities; • Reducing the number of early school leavers; • Lifelong learning.
Raising the level of education	Adults will be provided with various forms of and opportunities to acquire or complete: • Elementary education; • Lower vocational, secondary vocational, technical or general education; • Higher professional education.
Connecting education to labor market needs	• Investing in programmes that aims to enhance writing skill, to increase knowledge as well as others skills to obtain better employment opportunities; and • Establishing a national professional qualifications certificate system.

Source: Uradni list Republike Slovenije (Official Gazette of the Republic of Slovenia); Resolution on the National Programme on Adult Education in the Republic of Slovenia to 2010; http://www.uradni-list.si/1/objava.jsp?urlid=200470&stevilka=3149

Compatibility with EU strategic objectives

The Slovenian priorities in the field of education are mentioned in the Single Programming Document (hereafter SPD) submitted by Slovenia to the European Community for financial assistance. The Resolution on the 'National Programme on Adult Education to 2010' followed the guidelines and recommendations of the Commission put forward in the 'Memorandum of Lifelong Learning', 'Targets for the Future of Education and Training', and 'Standards in Education and Training until 2010'. Based on this, as the table below demonstrates, we can conclude that Slovenia's strategic objectives in the field of education are in line with EU strategic objectives.

- The table below includes the five main policy priorities of the European Commission in the field of education. Based on the information available, the table indicates the extent to which Slovenia focuses on these objectives.

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
• Lifelong learning	Yes
• Mobility (learning abroad)	Not specified in the resolution
• Promotion of active citizenship	Yes
• Promoting equity and social cohesion	Yes
• Promoting entrepreneurship & culture of innovation	Not specified in the resolution.

Source: DG Education and Culture, Strategic Framework for European Cooperation in Education and Training ('ET 2020')

Source: Resolution on the National Program on adult education in the Republic of Slovenia until 2010

The table below shows the relative amounts and percentages of EU, public and private expenditure for the period from 2005 to 2007. Data for 2004 was not available and for 2008-2010 has yet to be published.

Table 19: Weight of EU funds in the area of education, Slovenia, 2005-2006

TYPE OF EXPENSES	2005	% OF TOTAL EXPENDITURE IN 2005	2006	% OF TOTAL EXPENDITURE IN 2006	2007	% OF TOTAL EXPENDITURE IN 2007
EU funds	21.190.119	1%	12.714.906	1%	17.172.000	1%
Public expenditure	1.499.344.851	76%	1.623.539.476	86%	1.638.660.000	86%
Private expenditure	457.607.244	23%	242.542.981	13%	253.626.000	13%
Total	**1.978.142.213**	**100%**	**1.878.797.363**	**100%**	**1.909.458.000**	**100%**

Source: Statistical Office of the Republic of Slovenia, http://www.stat.si/novica_prikazi.aspx?id=1303 ;

The data indicates that EU funds, at 1% of total expenditure for this three-year period, are of relatively little importance/weight in total expenditure in education. The data presented suggest limited dependence on EU funding, and a limited leverage effect of EU funding, for the three years presented. This is also demonstrated by the figure regarding the distribution of public expenditure between national budgets and the EU budget at the end of this chapter.

3.2.1.3. France

Policy priorities

STRATEGIC OBJECTIVE/POLICY PRIORITY	SHORT DESCRIPTION
Focus on lifelong learning	• Developing new competences and skills, irrespective of age and employment status. • Lifelong-learning, including of teachers. • Establishment of GRETAs, or clusters of organised training and education programme for adults. These rely on secondary schools resources and venues. Their aim is to provide a wide educational offer at local level.
Reduce early school leaving	• Every year almost 100,000 students leave secondary school without a diploma, of whom 42,000 (2008) have no of any qualification. The priorities are better coordinated action by the public administration and information info sharing on young people at risk of dropping out.
Improve the orientation process for secondary school students	• The improvement of the guidance process is a key factor in making sure that the chosen professional path corresponds to students' expectations. This has to be included in the reform of the secondary schools (*lycées*). • Orientation should be at the core of secondary school education. Promotion of insertion into professional life of students of technical high schools and offices to foster is a priority.

Source: Website French Ministry of Education - www.education.gouv.fr / Ministry of Higher Education: http://www.enseignementsup-recherche.gouv.fr/pid20006/innovation-recherche-et-developpement-economique.html

Compatibility with EU strategic objectives

EU strategic objective/policy priority	Congruent/compatible/similar
Lifelong learning	Yes
Mobility (learning abroad)	Not specified in the strategy
Promoting active citizenship	Not specified in the strategy
Promoting equity and social cohesion	Yes
Promoting entrepreneurship & culture of innovation	Not specified in the strategy.
Source: DG Education and Culture, Strategic Framework for European Cooperation in Education and Training ('ET 2020')	*Source: Website French Ministry of Education* - www.education.gouv.fr

3.2.1.4. Belgium

Policy priorities

In Belgium, education is a competence of the three language communities (Flemish, French-speaking and German-speaking). The Flemish government strongly focuses on enhancing the

alignment between the education system and the needs of the labour market, as the Region suffers from a high number of skill shortages. The reinforcement of the education system in the bigger cities is another Flemish priority, as well as promotion of learning of the Flemish language by immigrants. The French Community puts the emphasis on improving technical education and stimulating multilingualism.

The table below provides an overview of the education policy priorities of the Flemish government and the French Community government[22].

STRATEGY OBJECTIVE	BRIEF EXPLANATION
Flanders	
Create open, polyvalent and strong personalities	• Active citizenship • Peace education • Sustainable development education
Create opportunities for every talent	• Promotion of social inclusion • Reforming the secondary school system • Increasing lifelong learning • Closing the digital gap
Promote learning Dutch and stimulating multilingualism	• Promoting Dutch as a second language for immigrants
Prepare students for entrance in the labour market	• Creating first work experience and stimulating internships in companies • Increasing attractiveness of scientific and technological professions
Recognise teaching staff as a key asset	• Enhanced recruiting of highly educated teachers • Training and skills development for teachers after school • Professionalising Human R policy for teaching staff
Build bridges between education and the local, regional and international community	• Enforcing education in the biggest cities • Shaping the international dimension of education (policy)
Investing in durable and modern infrastructure	
Source: Flemish Minister of Education, Policy strategy Education 2009-2014 (Beleidsnota Minister van Onderwijs)	
French Community	
Harmonise of education and training and improvement of cooperation between actors in the field	• Creation of 'Pôle de formations' (training clusters)
Improve the image of technical and vocational education, as well increasing the attractiveness of scientific and technical studies	• Reinforcing the image of technical and vocational education • Expanding the offer of scholarships, first work experiences, etc. (also internationally) • Lifelong learning
Increase investments in infrastructure	
Stimulate multilingualism	
Improve alignment between the objectives of education and the realities of the labour	

[22] In agreement with the European Parliament, it was decided to limit the scope of the Belgian case to Flanders, the French Community Government and the Walloon region. The study does not cover the Brussels Region, nor the German-speaking Community in Belgium.

market

Source: Walloon government, Marshallplan 2.0, 2009

Compatibility with EU strategic objectives

In all three communities, particular attention is paid to lifelong learning and vocational training.

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR	
	Flemish government	*French Community*
Lifelong learning	Yes	Yes
Mobility (learning abroad)	Not specified in the strategy	Yes
Promote active citizenship	Yes	Not specified in the strategy
Promote equity and social cohesion	Yes	Yes
Promote entrepreneurship & culture of innovation	Not specified in the strategy.	Yes
Source: DG Education and Culture, Strategic Framework for European Cooperation in Education and Training ('ET 2020')	*Source: Flemish Minister of Education, Policy strategy Education 2009-2014*	*Source: Walloon government, Marshall plan 2.0, 2009*

The current economic and financial crisis has acted as a stimulus to the Community governments in Belgium to speed up their investments in education infrastructure, particularly in the bigger cities where there is a lack of capacity. Although this is necessary given the low levels of investments in infrastructure during the last two decades, investments in schools and educational infrastructure are above all regarded as a measure to stimulate economic recovery.

The growing emphasis on lifelong learning and a tighter connection between the education system and the labour market institutions fits into the broader objective of the Communities of ensuring employability, rather than concentrating on job security.

Overall, the leverage effect of these EU funds on the mobilisation of national resources is relatively limited, as in most cases co-financing is not compulsory. However, EU funds are being valuable in a number of areas – particularly, mobility of students and vocational training programmes. Additional funding depends on the willingness of governments. The Flemish government, for example, provides limited additional funding to the EU funds, as the table below demonstrates[23].

[23] Statistics obtained from Vzw Epos – National Education contact point for EU Programmes. The figure excludes the costs related to the implementation of the EU funds in Flanders (implementation agencies), which are primarily carried by the Flemish Education budget. No figures could be obtained for the Walloon region and French Community.

Table 20: The relative weight of EU funds in education, Belgium (FL), 2007-2008

	2007	2008
European Commission		
Comenius	€ 1.676.685	€ 1.859.191
Erasmus	€ 5.180.076	€ 5.716.237
Leonardo Da Vinci	€ 2.898.085	€ 3.120.411
Grundtvig	€ 378.928	€ 344.422
Transversaal Programma	€ 43.653	€ 58.085
Europass	€ 35.000	€ 35.000
Bologna Experts	€ 18.453	€ 15.403
	€ 10.230.880	**€ 11.142.751**
Flemish Ministry of Education		
Comenius	€ 47.500	€ 40.000
Erasmus	€ 605.000	€ 2.055.000
Leonardo Da Vinci	€ 0	€ 0
Grundtvig	€ 13.500	€ 21.000
Transversaal Programma	€ 0	€ 0
Europass	€ 75.000	€ 75.000
Bologna Experts	€ 13.417	€ 15.770
	€ 754.417	**€ 2.206.770**

Source: Yearbook 2007-2008, Epos vzw. National Agency responsible for the implementation of the European Life Long Learning Programme in Flanders

3.2.1.5. Portugal

Policy priorities

Based on information from the Portuguese Ministry of Education, the level of training and qualifications of the Portuguese population is below EU-average. This implies that the government needs to make considerable and long-term investments to tackle the challenges of school underachievement, school dropouts and low levels of qualification. The current education policy of Portugal continues to tackle these long-standing challenges.

STRATEGY OBJECTIVE	BRIEF EXPLANATION
Significantly reduce school underachievement Promote social inclusion Improve teaching and learning conditions	• Promote of learning of the Portuguese language and mathematics; • Increase widespread access and use of ICT as an essential tool for integration into the knowledge society
Raise literacy levels Encourage students to attend school until they reach the age of 18	• Invest in enhancing reading and writing skills
Consolidate vocational-type training provision Increase the number of Adult Education and Training courses for adults with limited schooling	• Expand network of Centres for the Recognition, Validation and Certification of Competencies, under the name "New Opportunities Centres"; • Extend the Recognition, Validation and Certification of Competencies System to the 12th year of schooling;
Improve quality and performance of higher education institutions	• Encourage student mobility; • Promote the internationalisation of education and training; • Invest in institutions that are more open to society and the economy.

Source: Portuguese Ministry of Education, current policy strategy (info received from the Ministry of Education)

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
Lifelong learning	Yes
Mobility (learning abroad)	Yes
Promotion of active citizenship	Not specified in the strategy
Promoting equity and social cohesion	Yes
Promoting entrepreneurship & culture of innovation	Yes

Source: DG Education and Culture, Strategic Framework for European Cooperation in Education and Training ('ET 2020')

Source: Portuguese Ministry of Education, current policy strategy

During recent years, there has been an increase in Portuguese public expenditure in this field. In 2009, the increase was used for:

- €300 million spent on the 'Investment & Employment Initiative', which aims to invest in school infrastructure and equipment;
- €300 million EUR more, as a result of changes in budget accounting rules;
- €170 million for investments in widespread use of ICT in schools. Following a decision by the Government, personal laptops were provided at no cost and the Government subsidized access to broadband internet in an amount of €12/student
- €155 million spent on a 2.9% rise in the salaries of the employees of public administrations.

Although public expenditure in education remained constant, the Portuguese government also made substantial efforts in the years before 2007, enabled by a series if savings that took place (increase of teacher's working hours, an increase of minimum retirement age for teachers, rationalisation of the number of primary schools). For the future, an increase in public expenditure is expected.

The Portuguese government also made substantial efforts in the years before 2007 by redeploying funds saved by increasing teacher's working hours, increasing the minimum retirement age for teachers and rationalising the number of primary schools). For the future, a further increase in public expenditure is expected.

In Portugal, the proportion of pupils pursuing education or training beyond the minimum school-leaving age has long been below the European average. The PRODEP programme, Portugal's Educational Development Programme, which is 60-70% co-financed by the EU within the context of the Structural Funds, was established in 1989 to radically reverse this situation. It has now been running for more than 20 years and has generally led to major improvements in Portuguese education (for example, drop in fall-out of scholars).

3.2.2. Research and development

3.2.2.1. Overall analysis (EU-27)

Annex 3 gives a high-level overview of public expenditure in the EU Member States on R&D, in absolute and relative terms, based on the so-called GBOARD classification. The GBOARD classification does not cover data on actual public spending, but on budgeted public spending. However, it is assumed that GBOARD-based data are more complete and consistent than COFOG data.

This shows that the highest R&D intensity in 2008, i.e. ratio of R&D to GDP, is in Spain, Portugal and Finland, and the lowest in Latvia, Lithuania and Poland. Had private sector R&D been taken into account, the highest R&D intensity (based on 2007 figures) would be found in the Nordic Member States, Austria and Germany[24], and the lowest in Cyprus, Slovakia, Romania and Bulgaria. The highest increase of public sector R&D intensity between 2001 and 2007 was in Austria, Portugal and Estonia.

The table below gives a detailed overview of public expenditure in R&D in the Member States (in % of total government expenditure, % of GDP, and broken down by socio-economic objectives)[25]. The table below indicates that:

- Across all EU Member States, the bulk of R&D public expenditure comes from the academic sector, through General University Funds. In terms of percentage of GDP, Austria and Denmark have the highest levels of R&D public expenditure by the academic sector. However, Eurostat does not go into detail with regards to the final destination of expenditure through the General University Funds.
- In 2008, Spain and Portugal were the only Member States where spent more than 2% of total public expenditure went on R&D. Public expenditure on R&D public expenditure in the Nordic countries is above the EU-27 average, but is not ranked highest. This underlines the fact that the share of private actors in R&D expenditure must be higher in relative terms.
- Germany, France and the UK together account for almost 50% of total public expenditure in the EU-27 (cf. Annex 5).
- In terms of percentage of GDP, the majority of the EU-12 score below the EU-27 average. Latvia, Lithuania, Slovakia and Malta have the lowest percentage of public expenditure on R&D. Of the older Member States, Belgium, Ireland, Luxembourg and the United Kingdom spending only modest amounts of their budgets on R&D activities.
- Compared to the other Member States, France (0.21% of GDP), the UK and Spain (both 0.15%) are spending more on R&D activities in the defence sector. With regards to industrial production and technology, Finland (0.27% of GDP) and Spain (0.22%) have the highest share of R&D public expenditure in terms of GDP. For France (0.07 % of GDP), Belgium, Italy and Germany (0.04%), R&D in the field of space is a key priority. The greatest R&D efforts in the agricultural sector are found in Member States with a relatively strong presence of agriculture, such as Bulgaria (0.07% of GDP), Ireland and Spain (0.06% of GDP). Estonia, United Kingdom and Spain (all 0.10% of GDP) allocate a relatively large amount of resources to R&D activities in the health sector.

[24] Eurostat Newsrelease, Science, Technology and Innovation in Europe R&D expenditure in the EU27 stable at 1.85% of GDP in 2007, 8/09/2009

[25] The table lists General University Funds as a budget line for R&D expenditure, i.e. block grants provided by all levels of government in Europe, Canada, and Japan to the academic sector that can be used to support departmental R&D programmes that are not separately budgeted for.

Table 21: Share of government appropriations or outlays for research and development (% of GDP), per socio-economic objective – 2008

Country	% /total government expenditure	%/ GDP	Defense	Industrial production	Environment	R&D expenditure from General University Funds	Space	Agriculture	Health	Energy	General R&D other than GUF	Others
European Union (27)	1,53	0,72	0,08	0,08	0,02	0,22	0,03	0,03	0,06	0,03	0,11	0,06
European Union (15)	1,58	0,75	0,09	0,08	0,02	0,23	0,03	0,03	0,06	0,03	0,11	0,07
Euro area (16 countries)	1,62	0,76	0,08	0,10	0,02	0,24	0,04	0,03	0,05	0,03	0,09	0,08
Belgium	1,18	0,59	0,00	0,18	0,01	0,10	0,04	0,01	0,01	0,01	0,16	0,07
Bulgaria	0,85	0,32	0,00	0,03		0,01	0,01	0,07	0,00	0,03	0,11	0,06
Czech Republic	1,29	0,56	0,01	0,07	0,01	0,15	0,01	0,03	0,03	0,02	0,19	0,04
Denmark	1,65	0,86	0,00	0,09	0,02	0,37	0,01	0,03	0,07	0,03	0,15	0,09
Germany	1,82	0,79	0,05	0,10	0,03	0,31	0,04	0,02	0,04	0,03	0,14	0,03
Estonia	1,67	0,67	0,01	0,06	0,04		0,01	0,05	0,10	0,03	0,25	0,12
Ireland	1,35	0,57	0,00	0,07	0,01	0,13	0,00	0,06	0,03	0,02	0,19	0,06
Greece												0,00
Spain	2,60	1,07	0,15	0,21	0,05	0,18	0,02	0,06	0,10	0,03	0,11	0,16
France	1,43	0,75	0,21	0,06	0,02	0,21	0,07	0,01	0,05	0,04	0,03	0,05
Italy	1,30	0,63	0,01	0,07	0,03	0,19	0,04	0,03	0,08	0,04	0,04	0,10
Cyprus	0,95	0,41	0,00	0,01		0,14	0,00	0,06	0,03	0,00	0,15	0,02
Latvia	0,75	0,29	0,00	0,03	0,01		0,00	0,05	0,02	0,01	0,10	0,07
Lithuania	0,70	0,26	0,00		0,02		0,00	0,00	0,00	0,00	0,00	0,24
Luxembourg	1,15	0,44	0,00	0,03		0,06	0,00	0,01	0,00	0,00	0,22	0,12
Hungary	0,87	0,43	0,00	0,04	0,02	0,12	0,00	0,04	0,04	0,01	0,13	0,03
Malta	0,42	0,19	0,00			0,17	0,00	0,01	0,00	0,00	0,00	0,01
Netherlands	1,55	0,71	0,01	0,08	0,01	0,33	0,02	0,04	0,03	0,02	0,11	0,06
Austria	1,41	0,69	0,00	0,11	0,01	0,40	0,00	0,01	0,02	0,01	0,09	0,04
Poland	0,70	0,30	0,01	0,06	0,01	0,01	0,00	0,01	0,01	0,01	0,16	0,02
Portugal	2,22	1,02										1,02
Romania	1,06	0,41	0,01	0,08	0,02		0,01	0,04	0,06	0,03	0,09	0,07
Slovenia	1,23	0,55	0,07	0,09	0,02	0,01	0,00	0,02	0,02	0,01	0,26	0,05
Slovakia	0,79	0,28	0,01	0,02	0,01	0,08	0,00	0,02	0,02	0,01	0,09	0,02
Finland	1,99	0,97	0,03	0,27	0,01	0,24	0,02	0,05	0,06	0,05	0,17	0,07
Sweden	1,53	0,81	0,10	0,05	0,01	0,34	0,01	0,01	0,01	0,03	0,20	0,05
United Kingdom	1,36	0,64	0,15		0,01	0,16	0,01	0,02	0,10	0,00	0,14	0,05

Source: Eurostat, R&D Public Expenditure, (GBOARD), 2008 (most recent data)

3.2.2.2. Slovenia

Policy priorities

According to 2009 European Innovation Scoreboard[26], Slovenia is an innovation follower with innovation performance below those of the innovation leaders but close to the EU27. Slovenia records a moderate growth of innovation performance, which is above the average EU27. Increased performance is particularly driven by strong growth of private R&D expenditure.

The R&D policy priorities of Slovenia are defined in the strategic document 'National Research and Development Program 2006-2010'. Currently, the Ministry for Higher Education, Research and Development, is drafting a new strategic document for the period 2011-2015.

[26] DG RESEARCH, 2009 European Innovation Scoreboard, Pro-Inno Europe, 2010

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
Increase the impact of R&D on the domestic environment	• Encourage more research, development and innovative cooperation between enterprises and the research sphere • Enhance transfer of technology and innovations between companies.
Increase the effectiveness of investments in R&D and quality performance	• Gradually concentrate R&D efforts in priority areas; • Change in the ratio of programming and project financing to 40/60; • Redefine the mission and role of universities and public research institutions. • Establish an evaluation system for R&D activities that is also open to international experts • Achieve the EU average with regards to the number of scientific publications; • Increase the proportion of highly quoted publications in scientific literature ; • Increase the number of registered European patents per million inhabitants (from 36 in 2003 to 70); • Enhance the international reputation of universities in Slovenia.
Develop a supportive environment for R&D	• Recognise the role of knowledge and science as a key factor for social and economic progress • Create and enable an environment that supports a boost of investments in science, technological progress and entrepreneurship.
Increase the number of high-tech and innovative companies	• Focus on the successful transfer of knowledge and R&D results • Set up a regulatory and financial environment conducive to stimulating the emergence and growth of high-tech and other innovative enterprises, by strengthening the Fund for Entrepreneurship, and start-up and venture capital development.

Monitor the functioning of the R&D system and implementation of the National R&D programme	• Pursue objectives pursued through public tenders, which are published in accordance with the guidelines of the Ministry, the Slovenian Technology Agency (TIA) and the Public Research Agency of the Republic of Slovenia (ARRS). Key instruments/objectives managed by ARRS are:
	• Infrastructure programmes;
	• Project research centres;
	• European Framework programmes and international studies;
	• International scientific cooperation;
	• Increase the number of foreign scientists in Slovenia;
	• Participation in the European Research Area;
	• Instruments ,implemented by TIA as follows (year 2008-2009):
	  ○ Public tender "Young researchers in the economy";
	  ○ Public tender in support of the national innovation system;
	  ○ Public tender to promote organisations that support innovative activity

Source: Information received from the Ministry for R&D and Higher Education (National Research and Development Program 2006-2010)

Compatibility with EU objectives

Slovenia adopted and follows the objectives that have been set at EU level (e.g. the Barcelona objective of investing 3% of GDP in R&D). Slovenia is actively participating in reinforcing the European Research Area (ERA), both through its participation in political networks, as well as through various ERA-net projects, with the goal to advance national scientific policies and funding systems for science. The new National Research and Development Programme 2011 - 2015 focuses on the 5 axis of ERA, which are:

- Promotion of research careers and mobility of researchers;
- Joint program tenders;
- Research infrastructures;
- International cooperation;
- The transfer of knowledge.

The table below includes the 5 main policy priorities of the European Commission in the field of R&D. We indicate to which extent Slovenia focuses on these objectives.

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
1. Collaborative research	Yes
2. Focus on 'frontier' research (ideas) – centres of excellence	Yes
3. Promotion of researcher mobility and career development of researchers	Yes
4. Focus on research infrastructure (capacity)	Yes
5. Nuclear research	Not specified in the R&D strategy
Source: FP7 Programme, website DG Research	*Source: The National R&D Programme 2006 - 2010*

Public expenditure for R&D has increased rapidly in Slovenia over recent years. In nominal terms, the proportion of funding for R&D in 2009 relative to 2008 increased by 37%. Compared with previous years - 8.4% between 2007 and 2008 in nominal terms - this represents a significant increase. The funding for R&D contains resources for science and technology together.

The increase in R&D expenditure in 2009 is partially due to implementation of some anti-crisis measures. However, it is recognised by the government that increased R&D efforts do not immediately pay-off in the short term. R&D policy demands a long, stable period of continued growth in assets.

For the future, a gradual growth of public funding is expected for R&D - coming from a combination of national and EU structural funds - with the objective that public sector expenditure on R&D should amounts to 1% of GDP. The Slovenian government also has the ambition of establishing a dynamic environment for private R&D investments and to increase private R&D expenditure, up to 2% of GDP.

The EU Structural Funds are considered as a key instrument for financing R&D activities in Slovenia. EU cohesion funds significantly impact funding for science by combining EU and national funds. In 2009, the Ministry for Higher Education, Science and Technology published a tender for Centres of Excellence: eight 8 centres were selected and approximately €80 million of funds were allocated. 85% is financed by EU Structural Funds, the other 15% by the national budget.

According to a Slovenian official, Slovenian research institutions – which are often less known - and companies face some difficulties in obtaining FP7 funding. The participation and performance of EU-12 Member States – such as Slovenia - vis-à-vis the EU-15 in the "Cooperation" and "Capacities"

Programmes during the first year of FP7 implementation presents a mixed picture[27]. While EU 12 participation in terms of numbers of submitted and retained proposals is lower than their share of the EU 27 research workforce, the performance is significantly better when one compares their share of GERD (the portion of GNP that goes to research and development) to their share of EC contributions.

These findings should, however, be put in the context of the current science and technology socio-economic conditions in EU27. For example, in 2006 the R&D expenditure per researcher (GERD per number of researchers) in EU 15 amounted to € 121,000 – four times that of the corresponding EU 12 figure of €31.000[28].

The first FP7 Monitoring Report also gives some reasons that could explain the lower performance of EU-12 Member States: the lack of a competitive research environment at national level, problems encountered by smaller countries that cannot be expected to be competitive in all thematic fields of FP7, etc.

Measures that have been taken to help enhance participation rates in the Framework Programme in Slovenia include DG RTD support for a strong National Contact Point network and the establishment of Technology Platforms at the national level, to support successful industrial involvement in R&D activities.

Nevertheless, Slovenia actively supports the development of ERA and Slovenian researchers are involved in individual projects. One of the main objectives of the government is to increase the success rate of Slovenian researchers in international public tendering.

3.2.2.3. France

Policy priorities

According to the 2009 European Innovation Scoreboard, France is an innovation follower, with an innovation performance slightly above the EU average.[29] However, France is among the slowest growers with regard to innovation performance. Relative strengths, compared to the country's average performance, are in the human resources sector, finance and support and relative weaknesses are in firm activities (Firm investments, entrepreneurship, etc.).

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Improve the competitiveness of the French R&D system	Competing for funding is a relative new practice in the French R&D sector. France is increasingly aligning its funding schemes to those at EU level, in order to obtain more EU R&D funding. The creation of the *Agence Nationale de Recherche* (ANR) was a response to that need.
Focus on collaborative research	The Ministry in 2007 created sectoral consultation groups (*groupes de concertation sectoriels*) to ensure national coherence, to have better access to funding, to increase the effectiveness of research and development planning and to involve a range of stakeholders.
Foster private R&D	Innovation needs public as well private research. Support to private R&D has been boosted by tax credits since 2008 and by the actions of the ANR in favouring partnerships between public and private actors in R&D. An example is the funding of a competition for innovative

[27] DG RESEARCH, First FP7 Monitoring report, February 2009
[28] ibidem
[29] DG RESEARCH, 2009 European Innovation Scoreboard, Pro-Inno, 2010

	companies and the inception of the Carnot 'label' for institutes endowed with shared laboratories.
Focus on a limited number of priorities	French R&D tries to focus more on the sectors where French industry is traditionally more competitive (nuclear, aerospace, pharmaceutical, life science)
Increase the number of researchers and the attractiveness of research professions	
Create a culture of innovation and research	

Source: Website Interview with French official from the French Ministry of Research/ http://www.education.gouv.fr/pid219/la-recherche-en-france.html

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
1. Collaborative research	Yes
2. Focus on 'frontier' research (ideas) – centres of excellence	Yes
3. Promotion of researcher mobility and career development of researchers	Yes
4. Focus on research infrastructure (capacity)	Yes
5. Nuclear research	Yes

Source: FP7 Programme, website DG Research

Source: Interview with official from the French Ministry of Research

According to interviewees, overall coordination is not working adequately because the EU and France have different financing schemes. The bulk of French expenditure for research is not allocated on a competitive basis. For budgetary coordination to work, both levels should have the same financing mechanism. Although there is no real coordination of objectives, EU funds are gaining in importance because of the current pressure on national budgets, with Member States looking to EU funds to offset the decrease of R&D expenditure in their national budgets.

According to a French official, the Commission should take the lead in enhancing the coordination and in proposing tighter coordination measures than those existing today. "'The Broad Economic Policy Guidelines' are regarded as too soft and lax. The Lisbon process is regarded as a failure because of this weak OMC [open method of coordination] method". The suggestion was made that the new 2020 debate should start from the acknowledgement that the EU needs more incentive mechanisms for coordinating budgetary policy. A positive incentive mechanism might be needed.

The evolution of R&D policy priorities has been driven by budget cuts and by the fact that the total amount of EU R&D funds has increased significantly. The logic is to give more importance to merit and less to redistribution of funds. Competing for funding is a relatively new idea in France. As a result, the French R&D sector can face difficulties in competing and taking part in tender procedures. The system is currently being redesigned, as the French government aims to attract researchers and students.

The EU R&D strategy is becoming more and more important for France, according to the CNRS (*Centre national pour la recherché scientifique*). The current R&D strategy of France focuses on the introduction of competitive schemes to provide funding to public research bodies, and includes the long term objective of shifting to a 'call for proposal' type of allocation like FP7 or the UK or

German funding schemes. Now that the FP7 financial envelope has been substantially increased and that Member States are reducing or not increasing the amount of budget they devote to R&D, the EU research programme is taken into consideration much more. As a result, all Member States are trying influence the R&D planning and priorities at EU level in order to put the emphasis on the sectors where they are stronger. For France this is the case in life sciences, space research and nuclear physics.

The ANR (*Agence Nationale de la recherche*), managing €900m per year, increasingly works on the basis of calls for proposals and connects to the EU working methods in certain domains. According to an R&D official, France is not currently fully exploiting the potential of FP7. France is fourth in terms of number of applications, but it gets only half of what Germany receives. The success rate of France is higher than the EU average, but the size of French projects is smaller. The lower success rate of French researchers could be partly explained by the means of financing. French R&D actors tender to prefer national funds, even at a time when these are shrinking and EU funds are growing. The EU funds already represent a large share of R&D funds in certain areas such as medical R&D[30].

3.2.2.4. Belgium

Policy priorities

Belgium is one of the innovation followers and has an innovation performance above the EU27 average. Performance grows slowly and lies below that of the EU27. A relative weakness of performance is the relatively low level of private R&D expenditure.

The Belgian research system is highly decentralised. The main responsibility for research policy and funding lies with the regions and the communities. Research policies are distributed across several governments, which enjoy complete autonomy of decision-making power. The law states that the primary jurisdiction for research policy lies within the regions and communities, while the federal state retains some competences as an exception to this rule. The governmental responsibilities in the research area are arranged as follows:

- The regions (Flanders, Wallonia, Brussels-Capital) have authority over research policy for economic development purposes, thus encompassing technological development and applied research;
- The communities (French-, Flemish- and German-speaking) are responsible for education and fundamental research at universities and higher education establishments; and
- The federal state retains the responsibility for research areas requiring homogenous execution at the national level, and research in execution of international agreements (e.g. space research or nuclear research).

This institutional context has had a profound influence on the governance of research policy. According to the Federal Planning Bureau, the complex Belgian institutional context is one of the factors that undermine the effectiveness of research policies, as it can lead to fragmentation of scarce resources[31].

[30] Interview with officials, French Ministry of Research

[31] FEDERAL PLANNING BUREAU OF BELGIUM, Public Spending on Innovation in Sweden, Belgium and Finland, 2006

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Flanders	
Maximise the results of R&D efforts	• From idea to economic maximisation and societal impact
Improve government support instruments for SMEs	•
Promote cooperation and partnerships among actors in the research sphere	• Between research institutes and businesses
Focus on a limited number of economic clusters	• Focus on thematic priorities and bigger projects
Profile region of Flanders as an international actor	• Cooperation with neighbouring countries and regions • Multilateral cooperation (for example, in the space industry)
Invest in 'excellence' and the dynamics of 'frontier research'	• Based on a bottom-up approach (priorities are not imposed on R&D actors by the government) • Optimalisation of evaluation procedures at government level
Improve opportunities for talented researchers	• Stimulate technical and scientific professions • Career development for researchers
Invest in top research infrastructure	

Source: Flemish Minister for Innovation and Science, policy strategy 2009-2014

Wallonia and French Community	
Reinforce the 'pôles de compétitivité' – competitiveness clusters	• Creating synergies between existing clusters • Increased attention to sustainable development
Introduce a new cluster devoted to renewable energy technologies	•
Stimulate integration of R&D into the innovation strategies of businesses	• Intensified cooperation between the public research world and the private sector, particularly SMEs • Better access to funding in order to maximise R&D efforts • Focus on process from 'proof of concept' to market product and value • Dissemination of R&D efforts and results
Consolidate excellence of research	• Improve working conditions of researchers (salary, career development, etc.)

Source: Walloon Government, Marshall plan 2.0

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR		
	FL	*WAL*	*Federal*
1. Collaborative research	Yes	Yes	n.a.
2. Focus on 'frontier' research (ideas) – centres of excellence	Yes	Yes	n.a.
3. Promotion of researcher mobility and career development of researchers	Yes	Yes	n.a.
4. Focus on research infrastructure (capacity)	Yes	Not specified	Yes

5. Nuclear research	n.a.	n.a.	Yes
Source: FP7 Programme, website DG Research	*Source: The National R&D Programme 2006 – 2010*	*Source: Marshall plan 2.0*	

n.a.: not a competence of this government level

Not all R&D funding schemes in Belgium are aligned with those at EU level. For example, the Flemish government applies more of a bottom-up approach, which allows researchers to submit applications for funding of R&D activities that do not relate to the research priorities set by the government. The government strategy in the Walloon region has more elements of a top-down approach and is more aligned to the way of funding at EU level.

The EU Research Framework Programme (FP7) is increasingly gaining importance in Belgium. Based on a first monitoring report of FP7 by the European Commission, Belgium has the second highest success rate with regards to FP7 applications after the Netherlands. The R&D actors in Belgium receiving EU contributions are mainly to be found in ICT, biotechnology, space industry and nanotechnology.

None of the regions responsible for research policy has conducted an impact assessment that could identify the exact leverage effect of EU funding on public R&D expenditure. According to an interviewee, EU funding for R&D activities is considerable. However, he doubts that the co-financing model would have a significant impact on the mobilisation of national resources, due to fact that under FP7 projects cannot be eligible for both EU funds and national financing at the same time. The interviewee said that an overwhelming majority of R&D actors granted FP7 funding would not have carried out their R&D projects without EU funding. The involvement of EU money also enables carrying projects to be carried out faster and on a larger scale.

3.2.2.5. Portugal

Policy priorities

According to the European Innovation Scoreboard 2009, Portugal is a moderate innovator, scoring below the EU 27-average. However, since 2002, the Portuguese government invested many efforts to make progress and to support Portuguese universities. As a result, Portugal has become one of the growth leaders, or a catching-up country that has grown at a faster pace than the EU2732. Relative strengths, compared to the country's average performance, are in Finance and support and Innovators while relative weaknesses are in firm investments and throughputs. In 2007, Portugal introduced a sector-driven R&D cluster policy strategy with the aim of concentrating all efforts in a limited number of sectors (*Pólos de Competitividade e Tecnologia*)[33].

[32] DG RESEARCH, European Innovation Scoreboard 2010, Pro-Inno Europe, http://www.proinno-europe.eu/sites/default/files/page/10/03/l981-DG%20ENTR-Report%20EIS.pdf

[33] CORDIS-ERAWATCH, Portugal: Basic characterisation of the research system, cordis.europa.eu/erawatch

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Increasing public expenditure for R&D purposes	
Increasing the number of scholarships and subsidies for university and post-university education	• Developing R&D projects by establishments of higher education, the state and private non-profit institutions in priority areas for the Portuguese economic and competitive development,
Increasing financial government support for international patent registration	•
Supporting businesses in investing in R&D	• Incentives for business R&D through the development of R&D projects by companies in an individual or collective capacity or in consortium with other entities within the National Scientific and Technological System • Creating R&D centres in enterprises • Developing participation in European R&D programmes; • Financial Engineering Instruments for Innovation Funding and Risk-Sharing, aiming to boost the dissemination of alternative funding instruments (of which risk capital and seed capital are examples) that offer better conditions to support business investment projects

Source: Compromisso com a Ciência para o Futuro de Portugal, 2007 / Operational Programme 'Thematic Factors of Competitiveness'

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
1. Collaborative research	Yes
2. Focus on 'frontier' research (ideas) – centres of excellence	Yes
3. Promotion of researcher mobility and career development of researchers	Yes
4. Focus on research infrastructure (capacity)	Yes
5. Nuclear research	Not specified
Source: FP7 Programme, website DG Research	*Source: Compromisso com a Ciência para o Futuro de Portugal, 2007 / Operational Programme 'Thematic Factors of Competitiveness'*

3.2.3. Social policy

3.2.3.1. Overall analysis (EU-27)

Annex 5 provides an evolution of public expenditure on social protection in the Member States for 2002-2007. In 2007, public expenditure on social protection in the Member States accounted for 17.9% of the EU-27 GDP. The share of social protection in the EU-27 GPP has shrunk from 18.9% in 2003, to 18.3% in 2007, to 17.9% in 2007. Even if health expenditure is taken into consideration[34], the shrinking trend remains valid.

The table below gives an in-depth overview of the destination of public expenditure on social protection in the Member States.

Overall, there are strong disparities between Member States in the EU-27. Public expenditure on social protection, as a percentage of GDP, was above 20% in 2007 in France (22.2%), Denmark (21.7%), Sweden (21.6%) and Germany (20.3%) and below 10% in Romania (9.3%), Estonia (9.6%) and Latvia (8.4%). The wide range of percentages can be explained by the existing differences in living standards, but also reflects the different social protection systems that are in place in the EU.

Other conclusions that can be drawn from the table below are[35] [36]:
In all Member States, the bulk of public expenditure on social protection is allocated to 'Old age' (personal services for the elderly and pensions). In countries with a relatively high percentage of civil servants, such as Greece, France and Italy, 'Old Age' accounts for more than 12% of GDP, or more than half of their total expenditure on social protection.
In relative terms, Sweden (5.4% of GDP), Denmark (4.9%) and Hungary (3.7%) spend more on sickness and disability benefits than the other Member states.
France (0.8% of GDP) and Hungary (0.9%) account for the highest public expenditure ratios on housing.

[34] Eurostat data based on the ESPROSS classification includes healthcare public expenditure in social protection analyses.

[35] No data are available for five countries: Belgium, Luxembourg, the Netherlands, Romania and Slovakia.

[36] Social protection expenditure data based on ESPROSS, which is usually used by Eurostat, gives a much higher ratio of social protection to GDP (26-27%), as ESPROSS also includes health expenditure data. Health is treated by COFOG in a separate heading.

Table 22: Public expenditure on social protection, % of GDP, by COFOG category, 2007

Country	In abs. (millions EUR)	total social protection, % of GDP, 2007	Sickness and disability	Old Age	Survivors	Family and children	Housing	Social exclusion	Unemployment	Other social protection
European Union (27)	2.218.825,0	17,9								
European Union (15)	2.202.773,5	18,0								
Euro area (16 countries)	1.679.368,3	18,7								
Belgium	57.188,0	17,1								
Bulgaria	3.794,5	13,1	0,2	9,8	:	2,4			0,1	0,6
Czech Republic	16.364,7	12,9	2,7	6,5	0,6	2,1	0,1	0,4	0,3	0,2
Denmark	49.071,6	21,7	4,9	:	:	4,9	0,7	1,2	2,2	:
Germany	493.200,0	20,3	2,5	9,4	2,0	2,1	0,1	0,9	2,2	1,2
Estonia	1.499,5	9,6	2,0	5,5	0,1	1,4	0,0	0,1	0,4	0,1
Ireland	19.152,0	10,1	2,6	2,9	0,9	2,3	0,0	0,4	1,0	0,0
Greece	42.439,0	18,7	1,8	12,8	1,4	0,6	0,2	0,0	0,4	1,6
Spain	137.040,0	13,0	2,2	6,3	1,9	0,5	0,1	0,3	1,6	0,3
France	420.291,0	22,2	2,6	12,7	1,5	2,5	0,8	0,4	1,6	0,1
Italy	281.815,0	18,2	1,7	12,3	2,6	1,1	0,0	0,0	0,5	0,0
Cyprus	1.556,8	9,9	0,2	4,0	0,1	1,8	0,1	1,7	0,7	1,4
Latvia	1.780,8	8,4	1,5	5,0	0,0	0,9	0,1	0,2	0,3	0,4
Lithuania	3.144,5	11,0	2,8	5,0	0,5	1,1	0,1	0,2	0,4	1,0
Luxembourg	5.730,8	15,3								
Hungary	17.541,5	17,4	3,7	6,8	1,3	2,4	0,9	1,5	0,6	0,2
Malta	769,9	14,1	2,0	7,7	1,8	1,1	0,2	0,3	0,5	0,5
Netherlands	90.919,0	16,0								
Austria	53.835,3	19,9	1,9	11,8	1,6	2,3	0,0	0,8	1,2	0,2
Poland	48.614,1	15,6	2,3	9,0	1,7	1,2	0,1	0,2	1,0	0,1
Portugal	28.512,8	17,5	1,9	10,0	1,6	1,1	0,0	0,3	1,2	1,5
Romania	12.266,1	9,8								
Slovenia	5.352,9	15,5	2,8	8,1	1,5	1,7	0,0	0,6	0,5	0,3
Slovakia	5.807,8	10,6								
Finland	35.758,0	19,9	4,2	8,9	0,7	2,5	0,2	0,6	2,1	0,6
Sweden	71.657,1	21,6	5,4	10,5	0,5	2,6	0,3	0,8	1,5	0,0
United Kingdom	313.731,5	15,3	2,7	7,3	0,1	2,4	1,1	1,1	0,3	0,3

Source: Eurostat[37]

[37] Overall 2007 figures for EU27, EU15 and the Euro area are not available in the Eurostat database.

3.2.3.2. Slovenia

Policy priorities

The table below briefly explains the four strategic objectives of social policy in Slovenia. The information comes from the policy strategy 'The Resolution on National Programme of Social Security' for the period 2006–2010.

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Contribute to greater social inclusion of individuals and integration of Slovenian society	The goal of the national government is to contribute to greater social inclusion and integration of individuals with Slovenian companies in social security and other areas that are important for social policy law (labour and employment, education, health, family policy, housing policy).
Improve access to social services and programs	The government aims to increase access to social services, by enhancing equal opportunities.
Achieve greater efficiency in the allocation of monetary social aid and improve the quality of services and programmes, while improving targeting and efficiency	In addition to improved access to programmes and services, users attach particular importance to the quality of services and the levels of benefits. The government aims to achieve efficiency in the allocation of social benefits and improve the quality of services and social programmes.
Strengthen professional autonomy, managerial autonomy and rational management of social security	

Source: Website Slovenian Ministry of Social Affairs

Compatibility with EU objectives

The Resolution on the 'National Programme of Social Security' for the period 2006 – 2010 is based on the Lisbon Strategy and congruent with EU strategic objectives. The table below includes the main policy priorities of the European Commission in the field of social policy and the extent to which Slovenia focuses on these objectives.

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
1. Mobility of workers	Not specified in Resolution on National Social Security 2006-2010
2. Social protection and social inclusion	Yes
3. Diversity and non-discrimination	Yes
4. Gender equality	Yes
5. Adjustment to globalisation	Not specified in Resolution on National Social Security 2006-2010
6. Improving the institutional capacity of employment services	Yes
7. Development of human capital and potential	Yes

Source: Website DG Employment, ESF and PROGRESS programme

Source: Resolution on National Social Security of the Republic of Slovenia 2006 – 2010

The share of EU funding in the area of social policy has grown in Slovenia, but remains modest relative to total public expenditure in this area.

Table 23: The relative weight of EU funds in the area of social policy, Slovenia, 2004-20007

TYPE OF EXPENSES	2004	% (2004)	2005	% (2005)	2006	(%) 2006	2007	% (2007)
EU funds	84.318.144	1%	89.000.000	1%	96.000.000	1%	138.000.000	2%
Total public expenditure	6.322.000.000		6.612.000.000		7.036.000.000		7.381.000.000	

Source: http://www.stat.si/novica_prikazi.aspx?id=2728; Statistical office of the Republic of Slovenia

3.2.3.3. France

Policy priorities

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEFLY EXPLANATION
Enhancing social protection and social inclusion	France aims to keep older employees at work for a longer time and to ensure better access to jobs for youth.
Strengthening the coordination of social policies at EU level	This policy is justified by the need of preventing a race to the bottom in the social field among EU countries. The French stance on the working time directive for instance is driven by this need.
Adjusting and coping with the challenges of globalization	France played a leading role in the creation of the European fund for adjustment to globalization.
Diversity and social inclusion	

Source: Interview with an official from the Ministry of Social Affairs

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR
1. Mobility of workers	Not specified in the strategy
2. Social protection and social inclusion	Yes
3. Diversity and non-discrimination	Yes
4. Gender equality	Yes
5. Adjustment to globalization	Yes
6. Improving the institutional capacity of employment services	Not specified in the strategy
7. Development of human capital and potential	Not specified in the strategy

Source: Website DG Employment, ESF and PROGRESS programme

Source: Interview with an official from the Ministry of Social Affairs

Despite the relatively modest size of funding in France, the ESF is said to play a useful role in French social policy. A reform in 2009 created the establishment of the FISO[38] (*fond d'investissement social*) and a joint committee between the French state and social partners. This committee is informal in nature and is aimed at counterbalancing the effects of the economic crisis and to draw up combined programmes. A part of the one billion euro that is channelled through this committee is devoted to keeping older employees longer at work and to tackle youth unemployment. The logic is not to give incentives to early retirement, but to keep the level of employment stable. Another FISO initiative relates to short-time work and the flexisecurity; a way to encourage people to change their skills and develop new ones, so that it is easier to get a new job.

In terms of policy coordination between the EU and France, the debate at the moment focuses on the 2020 strategy and on the initiatives under this umbrella. The two priorities that are pushed by France are[39]:

- a common EU target for employment rates, and
- a common target for poverty reduction.

The current policy actions at EU level are in line with the traditional French position of advocating a more social Europe. However the big question mark is over the role that the open method of co-ordination will have in the coming 2020 strategy. The OMC has proven to be too much of a soft method for policy coordination, but there is no clear alternative in sight. According to a French government official, the OMC should be strengthened, without granting the ECFIN Council a monopoly in this area. Similarly, the Broad Economic Policy Guidelines are felt to have played a virtually non-existent role in this field. The role of the Guidelines in the policy process felt not to be clear and interviewees question their positive impact on policy coordination.

Today, there is not really any debate in France on the benefits that an EU social policy would bring to France. The French government does believe, however, that compliance with the social acquis by all Member States, i.e. the enforcement of existing directives, should be reinforced. France has a good record, but some other Member States have several potential infringement procedures for the way the directives have been transposed and enforced. The French government fears a social race to the bottom.

It has been difficult to obtain figures on public expenditure on social policy for France, as social policy expenditure is split between the French state budget, the social security budget and the budget of local authorities. The budget of the social security part is estimated around €300 billion a year, probably the largest expenditure component in France. The budget of the French state for social affairs is €10.5 billion a year.

The European component in the area of social policy is mainly the European Social Fund that transfers around €800 million a year to France. Despite the limited size of ESF funding in France, ESF is highly valued[40], especially in a time of crisis when national budgetary constraints are tight and unemployment is high.

3.2.3.4. Belgium

Policy priorities

[38] http://www.vie-publique.fr/actualite/alaune/emploi-quels-moyens-pour-fonds-daeur-tm-investissement-social.html

[39] Based on an interview with French official

[40] Ibidem.

STRATEGIC PRIORITY	BRIEF EXPLANATION
Flanders	
1. Keep and reintegrate older people into employment	• Flanders faces very low participation rates of older people in the labour market. Focus on flexible jobs for older people • Raise awareness of employees and employers
2. Increase labour market participation of vulnerable groups (immigrants, disabled persons, etc.)	• Fight discrimination in the labour market and stimulate gender equality and diversity management
3. Align labour supply and labour demand, with particular attention to tackling skill shortages	• Through active labour market measures, improve vocational training, competency management, etc. •
4. Stimulate social innovations in the workplace	• Introduce flexible working time patterns
5. Align the education system to the needs of labour market	• Stimulate internships for scholars; promote first work experiences, etc. • Promote lifelong learning programmes
6. Emphasise employability instead of job security	• Enhance skills of employees, promote entrepreneurship, introduce flexicurity measures • Focus on outplacement, career development planning
7. Benefit from efficiency gains with regards to reintegration of unemployed people	• Continue private-public cooperation mechanisms and private market mechanisms

Source: Flemish Minister of Labour, Policy strategy 2009-2014 (beleidsnota Vlaams Minister van Arbeid)

Wallonia (and Brussels Government, for what concerns French Community matters)

1. Align the education system with the needs of the labour market	• Emphasise lifelong learning for employees
2. Maximise technical and scientific professions among youth, businesses and the general public	
3. Increase the labour market participation of youth and younger labourforce	• Job creation for youth • Youth action plan
4. Increase multilingualism in order to increase opportunities in the labour market	

Source: Walloon government, Marshall plan 2.0

Compatibility with EU strategic objectives

EU STRATEGIC OBJECTIVE/POLICY PRIORITY	CONGRUENT/COMPATIBLE/SIMILAR		
	FL	*WAL*	*Federal*
1. Mobility of workers	Yes	Yes	n.a.
2. Social protection and social inclusion	Yes[41]	Yes[42]	Yes
3. Diversity and non-discrimination	Yes	Yes	Yes

[41] The Regions in Belgium have competences for social inclusion. However, their competences are very limited in social protection matter, which is primarily managed at Federal government level.

[42] C.f. previous note.

4. Gender equality	Partly (indirectly)	Partly (indirectly)	Partly (indirectly)
5. Adjustment to globalisation	Yes	Yes	Yes
6. Improving the institutional capacity of employment services	Yes	Yes	n.a.
7. Development of human capital and potential	Yes	Yes	n.a.
Source: Website DG Employment, ESF and PROGRESS programme	*Source: Policy strategy 2009-2014 of the Flemish Minister of Labour*	*Source: Marshall plan 2.0*	*Source: Policy strategy 2009-2014 of the Federal Minister of Labour*

n.a. = not a competence of this government level

Over the last five years, both the Flemish Government and the Walloon government have put the emphasis on active labour market measures targeting the unemployed and disabled, through closer monitoring and guidance, investments in the offer of training and language courses, etc. In Flanders, there is a tendency to introduce quasi-market mechanisms, particularly with regards to the reintegration of unemployed in the labour market. The enhancement of mobility of workers is a key priority for all regional governments.

3.2.4. Development aid

Overall, the EU-15 account for more than half of the global total of development aid. There is a long-standing UN target of reaching a level of aid equivalent to 0.7 % of donors' GNI. While EU members, like other industrialised countries, have accepted this 0.7 % target for spending, currently only Denmark, Luxembourg, the Netherlands and Sweden have reached this goal. In order to work towards this target, the EU has established an interim goal – to reach collectively at least 0.56% of GNI by 2010, thus providing a gradual increase in development cooperation funding. The "old" EU member states committed to spend a minimum 0.51% of their GNI by 2010, whereas the intermediate target for the "new" member states is set at 0.17% of their GNI.

The aims were set out in the December 2005 document 'European Consensus on Development' agreed by the European Parliament, Council and Commission , which seeks in particular to reduce poverty, to develop democratic values, and to support national strategies and procedures. The objective of the EU is to enable disadvantaged people in developing countries ultimately to take control of their own development by addressing the main sources of their vulnerability, such as access to food, clean water, education, health, employment, land and social services.

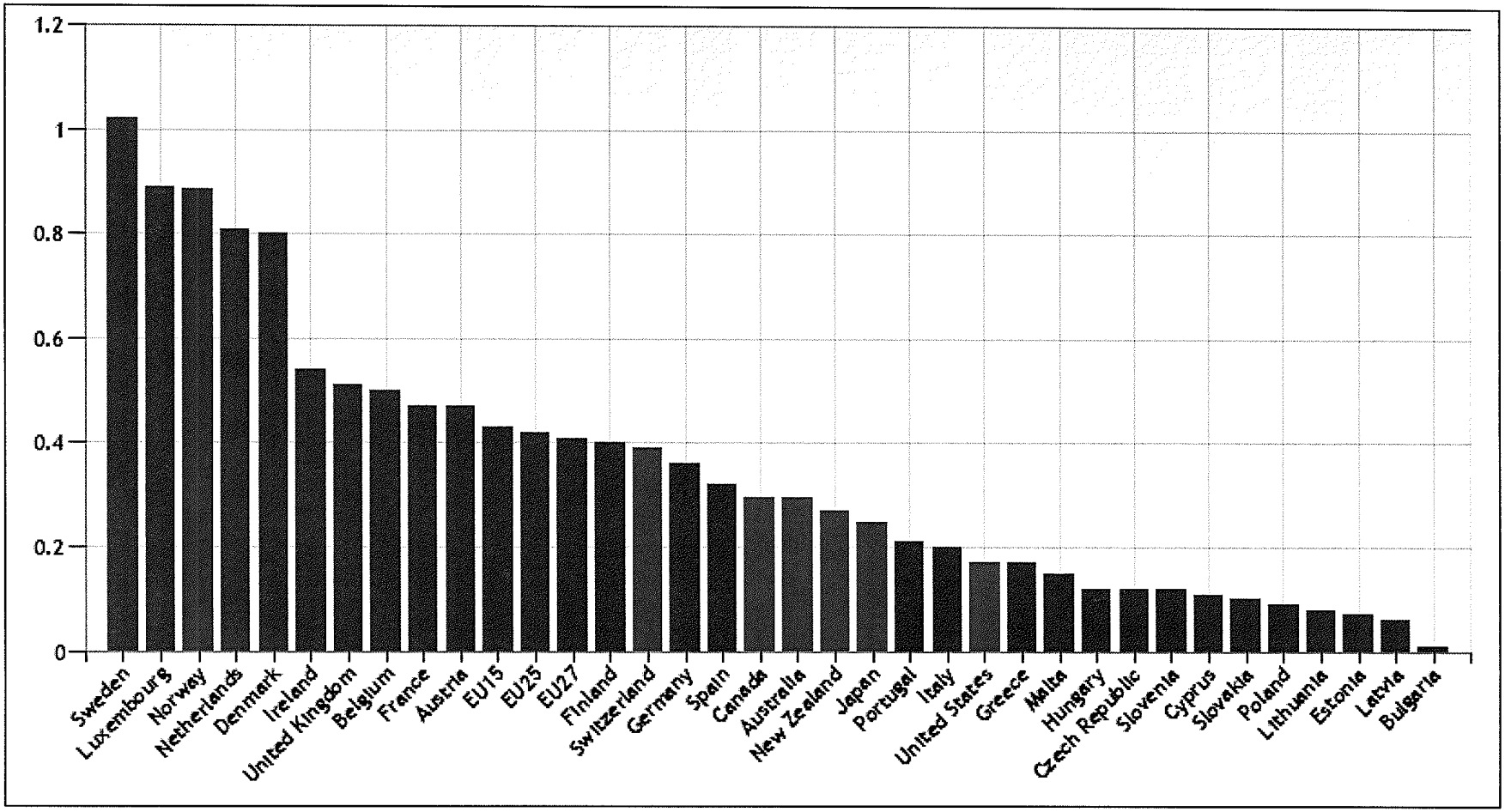
Table 24: Development Aid Public Expenditure, EU-15 DAC countries, 2004-2008 (% of GDP)[43]

M.S.	2004	2005	2006	2007	2008
Austria	0,23%	0,52%	0,47%	0,50%	0,43%
Belgium	0,41%	0,53%	0,50%	0,43%	0,48%
Denmark	0,85%	0,81%	0,80%	0,81%	0,82%
Finland	0,37%	0,46%	0,40%	0,39%	0,44%
France	0,41%	0,47%	0,47%	0,38%	0,39%
Germany	0,28%	0,36%	0,36%	0,37%	0,38%
Greece	0,16%	0,17%	0,17%	0,16%	0,21%
Ireland	0,39%	0,42%	0,54%	0,55%	0,59%
Italy	0,15%	0,29%	0,20%	0,19%	0,22%
Luxembourg	0,79%	0,79%	0,89%	0,92%	0,97%
Netherlands	0,73%	0,82%	0,81%	0,81%	0,80%
Portugal	0,63%	0,21%	0,21%	0,22%	0,27%
Spain	0,24%	0,27%	0,32%	0,37%	0,45%
Sweden	0,78%	0,94%	1,02%	0,93%	0,98%
United Kingdom	0,36%	0,47%	0,51%	0,35%	0,43%
Total EU DAC	**0,35%**	**0,44%**	**0,43%**	**0,39%**	**0,43%**

Source: OECD-DAC, Development database

[43] The most recent expenditure data that could be found in the area of development aid only covered the 15 OECD-DAC Member States. Annex 6 provides an overview of public expenditure in this area for all EU Member States, however, data are from 2006.

Figure 1: ODA in terms of share of GNI, including New Member States



Source: EU Donor Atlas 2008

3.2.4.1. Slovenia

Policy priorities

In the table below we briefly highlight the three strategic objectives in the field of humanitarian and development aid in Slovenia. This information is obtained from interviews and the Resolution on International Development Cooperation of the Republic of Slovenia to 2015.

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
Focus on IPA – Instruments for pre-accession	Covering the Balkans and Turkey; Slovenia's priority is to focus on IPA related to Balkan pre-accession countries.
Focus on ENPI – European neighbourhood and partnership instrument	To improve cross-border cooperation with countries along the EU's external land and maritime borders, thus giving substance to the goal of avoiding new dividing lines (Northern Africa and the Eastern European countries that border Russia).
Focus on EDF – European Development Fund	The main instrument for providing Community aid for development cooperation (technical and financial support). – Slovenia will start paying into the EDF in 2010.

Source: Department for International Development Cooperation and Humanitarian Aid

Compatibility with EU objectives

The development and humanitarian aid policy of Slovenia is congruent with the EU strategic objectives. It is based on the European Consensus on Development Aid to 2010 (effective 2005) and complies with the objectives of the international community on development, especially with the ambitions of the EU and the UN. Slovenia has adopted EU strategic documents in this area.

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
Eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals	However differing in geographical scope (which is much more limited), Slovenia's main priorities are related to the pursuit of the MDGs.
Achieve universal primary education	Yes
Promote gender equality and empower women	Yes
Reduce the mortality rate of children	Yes
Improve maternal Health	Yes
Combat HIV/AIDS	Yes
Malaria and other diseases	Yes
Ensure environmental sustainability and develop a Global partnership for development.	Yes
Source: European Consensus on Development	*Source: Department for International Development Cooperation and Humanitarian Aid*

Public expenditure on development aid is increasing in Slovenia. Slovenia reached 0.14% in development and humanitarian aid of its GDP in 2010 and it is planning to reach 0.23% in 2015. The European Consensus on Development (2005) set spending targets for its member countries at 0.17% of GDP in 2010 and 0.33% in 2015.

3.2.4.2. France

Policy priorities

France's co-operation and official development assistance (ODA) policy is based on two major priorities: to increase the amount of aid to developing countries and improve aid effectiveness. In geographic terms, France has a particular interest in Africa, due to historical links, heritage and political interests.

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
Increasing financial efforts in developing countries	
Improving the efficiency and effectiveness of aid	• Revise the means of allocating aid taking into account the countries' performances and the needs of the populations • Implementing the Paris Declaration on Aid Effectiveness • Implementing institutional reforms in order to improve the French aid delivery system
Geographical focus within the priority solidarity zone is on Francophone Africa and the least developed countries	
Sectoral focus on seven priorities	• Education, • Water and sanitation, • Health • Fight against AIDS, • Development of infrastructures in sub-Saharan Africa, • Agriculture and food security, • Protection of the environment, productive sector).

Source: Interview with French official from the Ministry of Foreign and European Affairs

Compatibility with EU strategic objectives

The development and humanitarian aid policy is congruent with the EU strategic objectives. It is based on the European Consensus on Development to 2010 and complies with the objectives of the international community on development, especially with the ambitions of the EU and the UN. France has adopted EU strategic documents in this area.

France traditionally stands for a strong European mandate in the domain of development cooperation and advocates a larger budget[44]. Specific French interests played a role in the creation of the EDF and in strengthening other development funds. The French government has insisted on having development policy included under the umbrella of foreign policy as they believe that it is a vital part of this policy.

The mechanisms of coordination between EU and France relate to the prioritisation of the sectors and the geographic areas of activities. Coordination between France and the EU has an informal character, rather than a formal one, and often takes place at the level of Permanent Representation of France to the EU. In the field of development cooperation France collaborates with other donors - European and others - in countries where they are present (based on the Paris Agenda on Aid Effectiveness).

[44] Interview with French Ministry Official.

According to a French official from the Ministry of Foreign Affairs, France is in favour of more coordination with the EC, but there are also important discrepancies on the strategy to be followed. The main example is aid blending. The EC mainly operates through grants, while the French government wants more commitment to loans. The government's stance is that multiple types of interventions achieve more effective results and better value for money than only grants.

In terms of geographic areas, policy coordination is rather good between France and the EU, as Africa - one of its geographic priorities - receives a substantial part of EU development aid. Compared to the European Neighbourhood policy at EU level, France focuses less on Eastern European neighbourhood countries (Belarus, Moldavia, Turkey and Ukraine). It feels policy coordination could be strengthened with regard to relations with Brazil, China and India. These emerging countries are not "developing" countries anymore and according to French interviewees, another means of collaborating with them needs to be found. In this respect, the new development policy looking ahead to 2020 risks looking fairly similar to the previous one, while the world is changing rapidly.

Hence, the French government is interested in cooperating more with the EC and in fine-tuning more the political objectives[45]. France is the only donor, together with the EC, that is present in more than 150 countries. In some countries with major development challenges (Chad, Comores, Madagascar), only France and the EU are present. The French government is concerned that in 2010 for the first time the volume of aid to Africa decreased, while it increased in Mediterranean countries, Eastern Europe and Latin America.

3.2.4.3. Belgium

Policy priorities

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
The development aid strategy of Belgium focuses on the Belgian efforts to achieve the UN Millennium Development Goals • Promoting gender equality in partner countries • Fighting child labour in the cacao sector • Fighting malaria and AIDS in partner countries • Coping with the effects of climate change in partner countries • Establishing a partnership in general more specifically Central Africa • Enhance the institutions and structures in fragile states • Fight piracy in East Africa, children soldiers, sexual abuse	

Source: Federal Minister of Development Aid, Policy strategy Development and Humanitarian Aid, 2007-2012

Congruence and compatibility with EU strategic objectives

[45] Ibidem

Development and humanitarian aid policy is congruent with the EU strategic objectives. It is based on the European Consensus on Development Aid to 2010 (effective 2005) and complies with the objectives of the international community on development, especially with the ambitions of the EU and the UN. Belgium has adopted EU strategic documents in this area.

Traditionally, Belgium geographically focuses its development efforts in Central Africa (Congo, Ruanda, Burundi). Furthermore, there is an increasing focus of the Belgian government on the fight against piracy in East Africa.

3.2.4.4. Portugal

Policy priorities

Portuguese Development Cooperation has been mostly financed through a specific State budget programme -the 'Cooperation for Development Program' – which consolidates a series of sectoral budget lines. Moreover, the planned operations are part of the 'Indicative Cooperation Programs (PIC)" that are the instrument for the cooperation with each of its partner countries

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Support the achievement of the MDGs	Promoting sustainable development and regional and global economic integration of developing countries, in particular of Portugal's main partners.
Promote aid effectiveness and policy coherence	Portugal has endorsed the Monterrey Consensus concept on partnerships, the Paris Declaration and the Accra Agenda for Action principles and commitments
Focus on Portuguese-speaking African Countries (PALOP) and East Timor	
Promote and combine a bilateral and multilateral approach to development cooperation	

Source: Interview with official IPAD

Compatibility with EU strategic objectives

Portugal has subscribed to the Millennium Development Goals (MDGs) as well as the EU commitments on ODA targets and Aid effectiveness principles, including among others the principle of Managing for results. These are the drivers behind the evolution of Portuguese Development Cooperation Policy, instruments and management mechanisms as set out in the "Strategic Vision for Portuguese Development Cooperation" approved by the Council of Ministers in December 2006.

Africa is a priority for Portuguese development cooperation. Portugal's Indicative Programmes of Cooperation (PICs) by country include programmes that aim to enhance institutional capacity building in Portuguese-speaking African Countries (PALOP) and East Timor. These are in line with the EU policy objectives of promoting good governance and democracy in Africa (and elsewhere).

A concrete case of alignment between Portuguese development cooperation policy and that of the EU is the focus on poverty reduction, the concentration of its geographic cooperation in a limited number of countries i.e. the Portuguese-speaking African Countries (PALOP), which is congruent with the EU policy objective of reinforcing development aid to Africa. The priority attached to

supporting good governance and democracy through capacity building of state institutions is also consistent with EU policy objectives.

Other examples of congruence between the Portuguese and EU interventions include:

- Adoption of the EU common framework for drafting country strategy papers and joint multiannual programming, as a guideline for the preparation of the PICs between Portugal and each PALOP country and East Timor;
- Portugal's decision and commitment to implement the EU Code of Conduct on Division of Labour in Development Policy in its bilateral aid through the PICs.

In terms of budgetary coordination, there are no specific dedicated budget coordination mechanisms, which are synchronised with national and EC budget procedures. However, there are information and coordination mechanisms through the established Council groups (ACP, CODEV), for example on contributions to EU-initiated Trust Funds, such as the ACP infrastructure trust fund, and the water and energy facilities. There is also some ad-hoc coordination in global multilateral funds such as the GFATM (Global Fund to Fight Aids, Tuberculosis and Malaria) or in instances such as international conferences for reconstruction of countries. When a global EU pledge (Commission and Member States) is to be announced there is also coordination through the Council groups and conclusions.

Portuguese Official Development Assistance in terms of GNI has remained during the reference period of 2004 to 2009 except for 2004 - when a 0.41% increase was registered following a decision by the Portuguese Government on debt relief for Angola. Implementation has seen steady increases since 2004 due to the shift in the Portuguese Agency to increased use of results-based management approaches and instruments and also to the enhanced absorption capacity of some partner countries receiving Portuguese ODA.

The ambition for the future is to increase expenditure in the light of the 2015 objective of reaching 0.7% of the GNI. However, the impacts of the financial crisis on the availability of funds for humanitarian and development aid may be a constraint.

3.2.5. Foreign and security policy (CFSP)

The European Defence Agency (EDA) collects defence spending data on an annual basis, showing that in 2008, the 26 EDA participating Member States spent €200 billion on defence[46]. The data includes both spending by Ministries of Defence and defence-related expenditure from other sources (other Ministries, special budgetary lines). Over the period 2006-2008, total defence expenditure by the participating Member States has remained almost constant. The total of €200 billion constitutes about 1.8 % of their combined € 12.3 trillion economies.

Based on data from the Stockholm International Peace Research Institute (2008), we see that:

- Worldwide, France is ranked as the third greatest spender on defence (65.7 billion dollars) in absolute terms, after the United States and China. The United Kingdom ranks fourth (65.3 billion dollars), followed by Germany (ranked 6th with 46.8 billion), Italy (8th with 40.6 billion) and Spain (14th with 19.2 billion).
- In terms of % of GDP, Greece is ranked first of all EU Member States (4.3% of GDP), followed by Cyprus (3.8%), France (2.3%), United Kingdom (2.2%).
- Many Member States do not reach the goal of 2 percent of national output or GDP, set by NATO. Based on recent NATO data (defence spending 2008), Germany, Italy and Spain are underachievers (1.3%).

Since the end of the Cold War, there has been a serious fall in the defence expenditures in the Member States.

3.2.5.1. Slovenia

Policy priorities and compatibility with EU objectives

The table below briefly explains the 8 strategic objectives/policy priorities in the field of security policy in Slovenia. This information is based on policy strategy documents. Slovenia is fully following and supporting the EU Security Strategy in all views, operations, institutions and capacity. Slovenia has adopted and is following the EU Security Strategy (2008), hereon ESS. See table below:

STRATEGIC OBJECTIVE/POLICY PRIORITY	BRIEF EXPLANATION
Crisis centres	The Republic of Slovenia is in accordance with her national interests involved in international operations and missions in various crisis areas and is thereby contributing to international peace, security and stability.
Terrorism	Terrorism, within Europe and worldwide, remains a major threat. Threats to the Republic of Slovenia from terrorist organizations and groups are relatively low today, but in the future it will greatly depend on the political, economic and security operations of the Republic of Slovenia in the international environment.
Unauthorized activities in the field of conventional weapons, weapons of mass destruction and nuclear technology	In sense of security, a big concern is, that some countries, especially those that support various forms of terrorism and extremism, do not accept norms accepted in international (nuclear) non expansion regime by development and use of nuclear technology in civil purposes, or will fully violate these norms.

[46] EDA, Defense data: facts and figures, 2009

Organized crime	Organized crime is a threat to international and national security. Organized crime is a complex and long-term threat to the security of Slovenia, but in future Slovenia it is expected that Slovenia will be more of a transit country for the organized crime groups, especially for those from Balkans and less the target country.
Cyber security	Modern society depends heavily on the continuity and reliability of information systems. Malfunctioning of these systems therefore pose a serious threat to the functioning of public and private sector in general, and particularly to the key functions of government and society. Due to the diversity of information and communications systems, unlimited cyber space and problems by monitoring the cyber space, also in Slovenia the spreading of cyber crime can be expected.
Illegal migrations	Illegal migrations touch Slovenia mainly due to migration flows passing through its territory (Slovenia is the Schengen border country). The pressure of migration flows to the Republic of Slovenia in general and particularly from South-Eastern Europe, will continue to identify important social-economic and political-security situation in the world.
Limitation of natural resources and habitat degradation	Inadequate use of natural resources in the past results in serious negative effect in nature and living environment. This strategic objective is facing difficulties in the supply of quality drinking water and with limited natural features for the production of healthy food.
Climate change	Climate change is a "threat multiplier". Natural disasters, environmental degradation and competition for resources exacerbate conflict, especially in situations of poverty and population growth, with humanitarian, health, political and security consequences, including greater migration. Climate change is already affecting the national security of the Republic of Slovenia.
Global financial, economic and social risks	Global financial and economic risks have the effect of reducing the employment rate of the population, that can grow into a wider or even general social crisis. These risks can also endanger Slovenian economic interests abroad and can attract suspicious or otherwise questionable flow of foreign capital into Slovenia. Indirectly these kinds of risks can challenge also other threats and consequently further reduce the prosperity and national security of the Republic of Slovenia.

Source: Resolution on the national security strategy of the Republic of Slovenia for 2010; http://www.uradni-list.si/1/objava.jsp?urlid=201027&stevilka=1189

Slovenia is participating in the European Security and Development Policy (ESDP) operations in Bosnia, Kosovo, in Chad and Central African Republic. Slovenia has been involved in the ESDP operation in the Democratic Republic of Congo and with the EU in its support to the African Union in Sudan / Darfur. Slovenia, together with Italy and Hungary in the second half of 2007, participated in EU joint defense exercises.

3.2.5.2. France

Policy priorities

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Response to emerging global challenges	• Environment (support to climate change effects, environment preservation) • Sustainable development • Security policy (focused on Middle East and Mediterranean security, NATO and OECD efforts) • Disarmament • Terrorism • Organized international crime

Promotion of human rights and fighting human rights violation	
Supporting European Integration	• Accession of New Member States • European Security and Defence Policy (ESDP)
Promoting of French language and multilingualism	

Source: Interview with Ministry of Foreign Affairs – www.diplomatie.fr

Compatibility with EU strategic objectives

France has always strongly supported European integration, especially of its political aspects. It is also one of the most active actors in EU politics and policies. France's level of „Europeanisation" of the national foreign policy is of a high degree. France is considered a big proponent of the EU Common foreign and Security policy (CFSP).

The objectives of the security policy of France and those of CFSP are aligned. One interviewee stated:

Concerning the CFSP, we have seen how MS are collaborating to give more money to this pillar and get more engaged in Afghanistan and Iraq. This is not yet an EU wide engagement, but it shows that the MS are sometimes willing to expand the budget of the EU, or it is because Afghanistan and Iraq are extremely unpopular subjects at home).

3.2.5.3. Belgium

Policy priorities

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Supporting actively further EU integration and the implementation of the Lisbon strategy.	• Enhance communitarianism (not intergovernmentalism) within the EU • Compliance with EU regulations and decisions (transposition of EU law into national law, repair infringements, etc.)
Contributing to the management of the current financial and economic crisis and the changing world	• Coping with the effects of globalization and the changing power balance in the world • Increase the competitiveness and innovation of Belgian and EU businesses
Enhance economic diplomacy and tighten economic and political relationships with new, growing economies	• Enhance economic and political relationships with China, India, Brazil;
Encouraging the accession of new (former Yugoslavian) countries to the EU	
Continuing and enforcing the trans-atlantic partnership as an essential priority	• Tackling common challenges and risks (piracy in Somalia, terrorism, Afghanistan, etc.)
Tackling the risks of radical Islam	• Investing in economic development and enforcement of the rule of law in developing countries as a solution to terrorism
Reinforcing cooperation between the Benelux countries	• Enforce a breakthrough in a number of concrete dossiers: the Iron Rhine, cross-border cooperation, etc.
Supporting the development of Central Africa	

Source: Federal Minister of Foreign Affairs, Policy strategy 2007-2012

Compatibility with EU strategic objectives

Belgium has always been in favour a strong EU, that addresses political and security issues. According to the Belgian government, Europe's foreign and security policy must boost its influence at international level and foster internal cohesion. Concrete actions should not only be taken in the areas of economic development, humanitarian aid, political cooperation, cultural cooperation, human rights and democracy but also in connection with conflict prevention, crisis management, rapid response to natural disasters, peace-making and peacekeeping.

3.2.5.4. Portugal

Policy priorities

STRATEGIC OBJECTIVE	BRIEF EXPLANATION
Promoting the Portuguese language around the world	Enhancing the use of Portuguese as a language of international communication
Disarmament and non-proliferation	
Supporting European Security and Defence Policy (ESDP)	Contributing actively to ESDP missions (Democratic Republic of Congo, Guinea-Bissau, Chad/Central African Republic, Bosnia and Herzegovina, Kosovo, Georgia, the Palestine Territories, and Moldova/Ukraine)
Enhancing multilateralism	
Continuing and enforcing the trans-atlantic partnership as an essential priority	
Stronger relationships with Brazil, China and India	Enforce a breakthrough in a number of concrete dossiers: the Iron Rhine, cross-border cooperation, etc.
Supporting the development of former Portuguese colonies	For example, East Timor, Angola, etc.

Source: Portuguese Ministry of Foreign Affairs, current policy strategy

Compatibility with EU strategic objectives

Portugal has been fully committed in its participation in formulating the Common Foreign and Security Policy (CFSP), with a view to strengthening its role in the construction of Europe. This exercise is coordinated by the Directorate for Common Foreign and Security Policy Services (CFSP), which has an across-the-board view of the activities of all the Ministry's other departments, and generally monitors national positions and actions in the many areas of foreign affairs, ensuring the necessary coherence and convergence.

The Directorate is also responsible for coordinating and preparing Portugal's participation in meetings of the European Council, the General Affairs and External Relations Council (GAERC), and the half-yearly "Gymnich" informal meetings of Foreign Ministers in the areas for which the Directorate is competent.

3.3. DISTRIBUTION OF PUBLIC EXPENDITURE BETWEEN MEMBER STATES AND EU LEVEL

Over the period 2002-2008, EU budget expenditure increased by 37% compared to an increase of 25% percent of in public expenditure by the EU-25[47]. The growth in EU expenditure can be explained by the significant increase in the EU research budget (FP7) and educational programmes (particularly, lifelong learning). Most of the developments result not only from the overall changes in Community's policy priorities, but also from the allocation of funds within each individual Community Policy.

Public expenditure in Portugal (27%), the Netherlands (27%), France (26%), Italy (25%), Austria (23%), United Kingdom (22%), Denmark (20%), Sweden (15%) and Germany (5%) – all older Member States - grew more slowly than the EU budget expenditure (37%) over the same period. Public expenditure grew by more than 100% in Romania (208%), Estonia (130%) and Lithuania (130%). In Slovakia (93%), Ireland (75%), Czech Republic (71%), Poland (69%), Greece (63%) and Spain (57%) public expenditure grew considerably[48]. The diverging trends in national budget in part illustrate for the absence of budgetary coordination between Member States. This is also valid when analyzing public expenditure by category of expenditure.

In 2007, EU budget expenditure represented 2% of all national government expenditure in the EU-27[49]. The relatively low proportion of EU budget expenditure can be primarily explained by the much wider scope of national budget expenditure. According to Bertoncini[50], the proportion of EU budget expenditure would increase significantly if public expenditure figures in Member States were not taken into account salary costs or other operational expenses. In France, excluding any operational or salary costs in the expenditure figures, the share of EU funds in total public expenditure on R&D would have amounted to more than 10% in 2006.

The share of EU budget expenditure in total public expenditure – EU budget and national budget expenditures – also differs by policy area and by Member State.

Considering the four policy areas that are part of the study scope, the proportion of EU budget expenditure ranges from 0% in the area of defence to approximately 0.35% in the area of social policy, 7.15% in R&D and 16.82% in development aid. R&D and development aid can be considered as policy areas where public expenditure is primarily situated at Member State level, but with a considerable amount of EU budget expenditure[51]. In areas such as education, social protection and defence, public expenditure is almost exclusively situated at Member State budget level. While education is an EU priority, EU funds for education represent 0.02% of national budgets dedicated to education. The scope of this study does not cover any policy areas with a dominant proportion of EU budget expenditure, such as agriculture - more than 70% of total public expenditure in agriculture takes place at EU level.

Furthermore, the relative weight of EU budget expenditure can vary between Member States, partly because of the redistribution mechanisms of the EU budget. The impact of EU budget expenditure is more limited and less visible in developed Member States with higher level of public spending, such as France and Belgium. In less developed Member States – such as Portugal and Slovenia – the importance of EU funds in total public expenditure is much higher.

---

[47] Eurostat, Total public expenditure (COFOG),2002-2008.

[48] Eurostat, own calculations, Total COFOG public expenditure and total European Community expenditure; source: EU Budget 2007 Financial Report.

[49] Ibidem

[50] Y. Bertoncini, Les interventions de l'UE au niveau national : quel impact?, Notre Europe, 2008

[51] Ibidem

Finally, it should be noted that EU budget expenditure can create strong leverage effects at Member State level through the mechanisms of co-financing. The co-financing model requires a substantial financial contribution - additional to EU financing - from the Member States' governments and is often used in programmes jointly managed by the EU and public actors in the Member States (for example, Structural Funds). However, none of the policy areas in scope involves significant co-financing.

3.3.1. Research & Development

Comparing R&D expenditure under the EU budget to total public expenditure on R&D of the Member States[52], the distribution between Member States and the EU is, as follows (2008 data):

Table 25: Distribution of public expenditure between MS and the EU – R&D

	TOTAL PUBLIC EXPENDITURE R&D	% SHARE PUBLIC EXPENDITURE
EU	€ 6.728.144.476,00	6,97%
Member States (27)	€ 89.773.049.000,00	93,03%
Total	**€ 96.501.193.476,00**	**100,00%**

Source: Own calculations, based on available data for 2008.[53]

3.3.2. Education & training

Comparing education expenditure under the EU budget to total public expenditure on education and training of the Member States (cfr. Annex 2), the distribution of public expenditure between Member States and the EU budget is estimated, as follows[54]:

Table 26: Distribution of public expenditure between MS and the EU – Education & training

	TOTAL PUBLIC EXPENDITURE EDUCATION	% SHARE PUBLIC EXPENDITURE
EU	€ 4.913.804.900,66	0,02%
Member States (27)**	€ 19.730.242.000.000,00	99,98%
Total	**€ 19.735.155.804.900,70**	**100,00%**

**Own calculations, appropriations 2009 (payments) – Cfr. Analysis of the EU budget above.*
***Total public expenditure on education by the Member States (EU-27): 2006 (most recent data available)*

[52] Based on GBOARD classification (cfr. Annex 1) that gives information about the planned budgets and not the actual spending on R&D.

[53] The percentages correspond: on the community side to total spending carried out in favour of R&D based on the outturn data for 2008; on the side of Member States to the Government budget appropriations or outlays on R&D (GBAORD). NB: the GBAORD represents budgetary forecasts and not actual spending. Bertoncini of Centre d'Analyse Stratégique estimates the share of Community public expenditure in R&D at 6.3% and that of the Member States on 93.7%, considering on the community side the spending carried out in favour of the Research Framework Program; on the side of Member States to the Government budget appropriations or outlays on R&D (GBAORD).

[54] Eurostat and UNESCO statistics provide comparable national public expenditure data for education until 2006. As the analysis of the EU Community budget only covers the period 2007-2009, no precise, comparable data are available. However, an indication of the proportions has been made. The percentages correspond to on the community side the spending carried out in favour of education for 2009 (cfr. Analysis of EU Community budget above); on the side of Member States to the UNESCO-Eurostat statistics on education for the year 2006.

3.3.3. Development and Humanitarian Aid

The total expenditure on development and humanitarian aid at EU and Member State level can easily be calculated, as both the European Commission and the Member States report their public expenditure to the OECD-Development Assistance Committee.

Table 27: Distribution of public expenditure between MS and EU - Development and Humanitarian Aid, Official Development Assistance (2008), million dollars

	TOTAL PUBLIC EXPENDITURE IN DEVELOPMENT AND HUMANITARIAN AID	% SHARE PUBLIC EXPENDITURE (2008)
EU**	13.670,48	16.82%[55]
Member States (DAC)*	67.601,35	83.18%
Total	**81.271,83**	**100.00%**

**OECD-DAC – EU DAC Official Development assistance (ODA) (excl. 6 EU Member States that are not member of OECD-DAC), 2008*
***OECD-DAC – Official Development Assistance (ODA)*

3.3.4. Social policy

Table 28: Distribution of public expenditure between MS and the EU - Social protection

	TOTAL PUBLIC EXPENDITURE IN SOCIAL PROTECTION	% SHARE PUBLIC EXPENDITURE
EU*	€ 7.777.452.919	0.35%
Member States (27)**	€ 2.218.825.000.000	99.65%
Total	**€ 2.226.602.452.919**	**100,00%**

**Data from our calculations with regard to the EU public expenditure in social protection, Outturn 2007*
***Data from Eurostat, COFOG classification – Total social protection, in absolute numbers, 2007*[56]

3.3.5. Foreign and Security policy

	TOTAL PUBLIC EXPENDITURE IN SECURITY POLICY	% SHARE PUBLIC EXPENDITURE
EU*	€ 194.816.148	0.10%
Member States (26)**	€ 201.462.000.000	99.90%
Total	**€ 201.656.816.148**	**100,00%**

**Data from our calculations with regard to EU public expenditure in CFSP, Outturn 2008. Data solely includes expenditure under budget line 19 03 'Common and Foreign Security Policy'.*
*** Data from European Defense Agency, Defense figures 2008*

[55] Excluding debt relief, the proportion of the Community would amount 18%. Bertoncini estimated the share of the Community budget on 14.3% in 2005. As in this analysis, the percentages correspond to the expenditures of official development aid as defined by the Development Assistance Committee DAC (development programmes, humanitarian aid and debt reduction programmes).

[56] Data of 2007 have been used, as COFOG expenditure data of the Member States are incomplete from 2007.

3.4. CONCLUSIONS ON CONGRUENCE BETWEEN NATIONAL AND EU POLICIES AND BUDGETS

Chapter 4 demonstrates that size of the EU budget expenditure – which accounts for approximately 2% of total public expenditure in the EU- is limited compared to national public expenditures. The share of EU expenditure in total public expenditure is particularly modest, relative to national expenditure, in areas such as social policy (0.35%), education, and security policy. The share of EU expenditure is much higher in areas such as development aid (16.82%) and R&D (6.97%).

The budgetary analysis in chapter 4 demonstrates that both the EU budget and Member States' budgets are only partly oriented towards the objectives and spending targets of the Lisbon strategy. The Lisbon strategy put forward a 3% of GDP target for research spending in all Member States and pays particular attention to lifelong learning and skills enhancement of employees. However, in practice, there are clear discrepancies between aims and means, and few national budgets explicitly refer to their contribution to achieving the objectives of the Lisbon strategy.

In general, it can be concluded that the ***policy*** priorities of Member States in the five policy areas are congruent with those of the EU. Particularly, in the areas of development aid and security policy high levels of congruence were found. All Member States committed to achieve UN Millennium Targets and support the European Consensus on Development. In the case of education and social policy, lifelong learning and enhancing the flexibility and employability of workers are increasingly gaining importance, in line with the EU policies, in all four Member States. Furthermore, Member States are increasingly aligning their R&D strategy and national funding schemes with the objectives and functioning of the EU research programme (FP7). The analysis also reveals that alignment of policy priorities is strong in policy areas – such as social policy and research - where eligibility for EU funding is subject to co-financing requirements. This is particularly the case in those less-developed Member States where the relative share of EU spending in total public expenditure is higher than the average, and where the needs of public investment are greater than in other Member States.

4. ANALYSIS OF THE BUDGETARY COORDINATION MECHANISMS BETWEEN NATIONAL AND EU BUDGETS

This chapter includes an analysis of budgetary coordination between the EU budget and the national budgets. The effectiveness and impact of coordination mechanisms are assessed. Findings are primarily based on interviews with officials at EU and Member State level, as well as available subject-related (academic) research and literature.

4.1. THE CONTEXT: RELATIVE SIZE OF THE EU BUDGET

The European Commission does not typically have the necessary budgetary (and fiscal) instruments to achieve significant impact on its own – the size of the EU budget is too modest. This limits its capacity to coordinate the policies of the different Member States. Compared to the central budget of national states with a federal structure, the central EU budget is relatively modest.

An interviewee stated:

"Of course the volume plays a role in the lack of interest in EU expenditure. The EU cannot have any significant effect on national priorities and decision making."

The same message was also echoed by another interviewee:

"No formal budgetary mechanisms are in place as far as I know. The size of the EU budget in old Member States and what can come from it is not sufficient to influence the political discussion."

While the size of the EU budget is limited, the main ongoing debate on the reform of the EU budget shows that the current budget does not reflect the socio-economic ambitions of the EU. According to Alain Lamassoure, Member of the European Parliament and President of the Parliamentary Committee on Budgets[57]:

"L'Europe connaît une crise budgétaire majeure liée à l'incapacité de financer les dépenses décidées par l'Union européenne. L'Union est un géant juridique, mais elle est un nain budgétaire. L'influence de l'Union européenne dans le droit national est considérable. Entre 60 et 70 % des lois et règlements français sont soit des transpositions, soit sous influence du droit communautaire. En revanche, le poids budgétaire de l'Union est très faible. »

The incapacity of the EU budget to finance its own policies is exemplified by the relatively low expenditure levels in key areas such as R&D, education and social policy.

4.2. SUPPORT FOR ENHANCED BUDGETARY COORDINATION

Article 99 of the EC Treaty stipulates that "Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council" while article 98 specifies that they should be conducted "with a view to contributing to the achievement of the objectives of the Community". Subsequent articles set the areas and forms of coordination, including the so-called Broad Economic Policy Guidelines (BEPG).

[57]French Senate, Budget communautaire Audition de M. Alain Lamassoure, Président de la commission des budgets du Parlement européen, 11/02/2009, http://www.senat.fr/europe/r01102009.pdf

In the intense political and academic debate about the reform of the EU budget, many observers refer to the need for a better integration between national and EU budgets, concerning spending priorities, quantitative expenditure targets and operational budgetary practices and procedures.

Interviewees also consider EU expenditure as a mechanism for overcoming intra-EU barriers. EU efforts – whether through own expenditure or by promoting coordination between Member States - can be highly effective in reducing disconnections between national systems, benefiting from scale effects by pooling fragmented resources, and generally complementing national expenditure.

The current economic and financial crises and scarcity of financial resources highlight the need for better coordination between European policy objectives (e.g. Lisbon and EU 2020 Strategy, European Consensus on Development, etc.), on the one hand, but also between European and national policy objectives in areas such as R&D, education, social policy, and development aid. Such coordination could lead to greater synergy between European and national level expenditure, while respecting and strengthening subsidiarity, additionality, European value added and the advantages of economies of scale.

According to Alain Lamassoure, president of the Committee on Budgets of the European Parliament:

"Il serait cependant très utile que le budget européen trouve sa place dans la coordination des politiques nationales afin que l'effort collectif des États et de l'Union ne soit pas en contradiction. En temps normal, une politique budgétaire sert à soutenir l'activité économique dans le respect des critères du pacte de stabilité et de croissance. Mais les économistes ne font pas l'effort d'additionner les montants que chaque État verse à cette fin. (....) La politique européenne est globalement et majoritairement financée par les États membres, mais on ne sait pas quel est le niveau véritable car on ne fait pas l'effort de mutualiser les dépenses nationales. »[58]

4.3. OVERALL LACK OF FORMAL BUDGETARY COORDINATION MECHANISMS

According to Albert-Roulhac, national governments cannot ignore EU public spending policy. National budgetary choices increasingly take into account the EU budget to complement, reinforce or correct its effects. In France for example, the connection between national and EU expenditure programmes was emphasised in 1994, when the French Prime Minister Edouard Balladur sent a letter of guidance to the ministries, urging them to:

"Take into account the development of Community interventions in the areas which come under the competency of your departments, for the determination of your budgetary bids. The rationale of building Europe must permit, whenever possible, to re-direct national actions when these are undertaken under Community actions.[59]"

Apart from the case of Structural Funds spending where the general model is for member States to co-finance EU-funded interventions with their own financial resources, the study has not identified any other formal budgetary coordination mechanisms between the EU and its Member States, nor between Member States in any of the policy areas that are part of the scope of this study. None of our interviewees at EU and Member State level was aware of any existing formal budgetary coordination mechanism, apart from the Stability and Growth Pact.

[58] Ibidem

[59] C. Albert-Roulhac, The Influence of EU Membership on Methods and Processes of Budgeting in Britain and France, 1970–1995, Blackwell Publishing, Volume 11, Number 2, April 1998 , pp. 209-230.

While the EU and its Member States have embraced the idea of general policy and budgetary coordination, as can be seen from, inter alia, the BEPG, the Stability and Growth Pact and co-financing requirements, and although many interviewees strongly supported the principle of budget coordination, they acknowledged that it is rarely put into practice. One attributed this as partly due to the gap between broad EU-level strategy and national focus.

"If you manage to coordinate better you get more. The problem is that there is always a distance with national priorities because the European priorities are not sufficiently concrete."

Furthermore, the interviews revealed the extent of procedural differences between the EU budgetary system and that of the Member States. The EU and national-level budget approaches have remained separate, and no interaction with the EU level could be identified during the drafting phase of the national budgets in any of the Member States could any. Interviewees often referred to the differences in budget procedures:

"The new French system with a five year macroeconomic law and the yearly budget has not come closer to the EU system, because the budget remains inspired by a yearly logic subject to the political agenda[60]*. The 'plafond de dépenses' did not really change the logic behind the budget and did not get it closer to the EU political priorities. Even in the new budgetary system, the logic is always the one of returns."*

And:

"Today, coordination between the EU and MS is not working well at budgetary level. When planning the budget, the Ministry of Budget in France does not always take into account what is happening at the EU level. National budgets are still very much oriented by a year by year logic, while the budgets of the EU work on the basis of a seven year agreement.

The strict budgetary framework at EU level may also be regarded as a factor making budgetary coordination less straightforward. Unlike the national budgets, the EU budget is based on a strict budgetary equilibrium, which means that no debts or budgetary deficits are allowed. Moreover, the EU annual budget enjoys limited flexibility, as it is constrained by the multiannual EU financial perspective[61].

Interviewees also referred to another issue that limits Member States' scope to benefit from economies of scale and European value added (advantages which would flow from enhanced budgetary coordination). Member States are focusing increasingly on the concept of a fair return ('juste retour') of EU budgetary resources:

"We try to assess on an annual basis how much we benefit from the EU. The latter part is the trickiest, owing to the fragmentation of European money channeled back into France."

According to another interviewee:

"The logic of complementarity between budgets has still a long way to go; the driving logic is the "return rate" rather than the added value of the EU action. The reasoning of Member States is that of "how

[60] This quote does not strictly reflect the facts, as both EU and French systems feature both annual and multiannual expenditure.

[61] In terms of revenues, the EU budget is in theory financed by the EU's own financial resources. Revenue is raised from four sources: two traditional own resources (agricultural levies and customs duties); a resource based on a harmonised national pre-emption on the proceeds of value added tax (VAT) levied in Member States; and a transfer based on the level of the GNI of Member States. However, over the years, the GNI-based transfer - financial contributions from the national budgets - has become the principal revenue stream for the EU, progressively eclipsing the VAT resource, and the agricultural levies and customs duties. This evolution has made the EU budget more dependent on transfers from governments, rather than on revenue instruments linked to the EU level of governance.

much do we get back from Brussels"? This brings sub-optimal results where there is a good financial return in sectors where coordination is lax, and vice versa."

And:

"This is a very good period for undertaking this kind of study. Indeed all the net contributors to the EU budget are under pressure due to their need to reduce their deficits. In this light the contribution becomes a burden and national governments are tempted to influence EU policy more than ever to get money back from the EU (or to reduce its budget)".

A disproportionate focus on 'juste retour' risks obscuring spending priorities that are established through rational economic considerations.

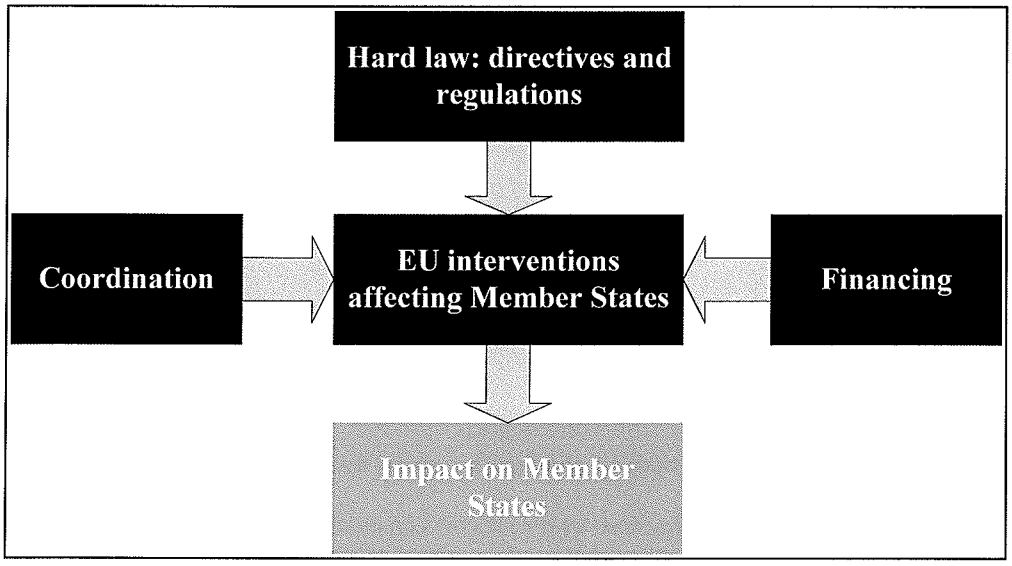
However, the limited extent of explicit budgetary coordination mechanisms does not necessarily imply that budgetary coordination is not taking place at all. Some interviewees realise that the EU budget and their national budgets are interconnected because of the numerous implicit and indirect interactions and coordination between both levels. Most interviewees acknowledge that budgeting is evolving from a purely national issue to an 'EU-national' approach to public budgeting, which takes EU strategy and practice into account. The following paragraphs provide more explanation on this evolution.

4.4. INDIRECT BUDGET COORDINATION: A MULTI-LAYER APPROACH TO EUROPEAN PUBLIC FINANCE

The boundaries between national and EU budgets are not formally established. They are blurred, implicit and are moving continuously under the influence of EU decision-making, recommendations from EU institutions and benchmarking mechanisms. Moreover, decision-making at EU level involves the participation and agreement of national actors in the Council and other EU institutions. Member States' representatives contribute to and co-determine EU decisions.

The figure below illustrates these different ways of impacting the national budgets of Member States (and vice versa)[62].

Figure 2: A multi-layer approach to European public finance



Source: I. BEGG, Lisbon in the EU budget, 2009

[62] BEGG, I., Lisbon in the EU Budget, European Institute London School of Economics, 2009

Buti and Nava present the EU budget as centralised (at EU level) fiscal policy that is subject to decentralised national constraints, as the Member States contribute a part of their income to the EU budget. Conversely, national budgets can be seen as a decentralised system of fiscal policy subject to centralised EU constraints, such as the Stability and Growth Pact and, to some extent, the Broad Economic Policy Guidelines[63].

4.4.1. Hard law: directives and regulations

Directives and regulations do not typically directly impact the EU budget, but aim to achieve EU objectives, for example by obliging or encouraging Member States to mobilise their own financial resources to meet objectives agreed at the EU level.

EU legislation, which is decided by unanimity or majority voting by Member States and the European Parliament, can commit Member States to spending. When the law is being adopted, the scale of required spending is often not precisely defined. For EU directives, the Member States have the freedom to decide on the method of implementing them, and on the way to finance implementing actions.

The most obvious and visible example of hard law with a clear impact on national budget strategy is the Stability and Growth pact, building on the Maastricht criteria applicable to the adoption of the euro. The Maastricht Treaty states that "Member States shall ensure that national procedures in the budgetary area enable them to meet their obligations in this area deriving from this Treaty".[64] Interviewees refer to the Stability and Growth pact as the main instrument of budgetary coordination.

4.4.2. Coordination

Policy coordination (as opposed to formal "hard law") can also bring about enhanced policy and budget coordination between the EU and national budgets. The most visible mechanism in this respect is the Open Method of Coordination (OMC).

The Open Method of Coordination (OMC) in the Lisbon process

A guiding principle in the Lisbon process has been the pressure to reach objectives by policy coordination. The open method of coordination aims to promote good practice in effective social and economic policies, and to stimulate convergence among the policies of the Member States. The OMC does not envisage the adoption of directly binding law, but foresees that Member States present both their strategies and results for discussion and review at EU level.

The costs of achieving important European objectives through OMC are not generally carried at EU level. Financing for activities subject to the OMC tends to be provided entirely by the Member States.

However, interviewees point out that coordination is entirely dependent on the willingness and goodwill of Member States to cooperate. The OMC does not incorporate any real sanction mechanisms, in the event that the agreed level of implementing the objectives is not achieved. Neither is there any real financial support available for member States who find it difficult to

[63] BUTI, M. & M.NAVA, Towards a European Budgetary system, Robert Schuman Centre for Advanced Studies, RSC No. 2003/08, http://ideas.repec.org/p/erp/euirsc/p0077.html

[64] Constraints for national budgeting imposed by the Maastricht Treaty are: 1) Prohibition of overdraft facilities and other credit facilities in favour of government authorities, 2) Prohibition of privileged access by government authorities to financial institutions, 3) Prohibition of bail-out; 4) Avoidance of excessive government deficits – meaning planned or actual government deficits, exceeding 3% of GDP at market prices and government debt exceeding 60% of GDP.

achieve progress. Many interviewees say that the OMC has not succeeded in fulfilling its initial expectations because of the lack of sanction and enforcement mechanisms. The OMC is generally perceived as a method that is 'too soft' to stimulate convergence either of Member States' policies or of budget coordination between the EU and the Member States.

An interviewee stated:

"The OMC should be revised as it was not strong enough to enforce or persuade towards the achievement of a common objective".

Available literature on the evaluation of the method and the assessment of its effectiveness is generally sceptical.

However, some interviews refer to the convergence effect obtained by the introduction of benchmarking practices, for example in the field of education. Governments are sensitive to 'naming and shaming' that can result from these benchmarks.

The Broad Economic Policy Guidelines (BEPG)

The BEPG are the central element in coordination of the Member States' economic policies. They represent multilateral surveillance of economic trends in the Member States, and their legal base is Article 99 of the Treaty establishing the European Community. The Recommendation on the BEPG establishes the framework for coordinating the policies of the Member States.

Compliance with guidelines 1 to 5 (Macroeconomic policies for growth and jobs) contributes towards:

- Securing economic stability for sustainable growth (compliance with Stability and Growth Pact);
- Strengthening sustainable economic and fiscal viability (debt reduction and improving the efficiency of Member States' pension, social protection and health care systems);
- Improving the effectiveness of public finances (aligning public expenditure to the Lisbon growth objectives);
- Ensuring that wage developments support economic growth and stability; and
- Coordinating macroeconomic, structural and employment policies.

Guideline 6 recommends that States in the euro area coordinate their economic and fiscal policies better in order to contribute to a dynamic and well-functioning euro area. In particular they should pay attention to fiscal sustainability in compliance with the Stability and Growth pact. The euro area should also increase its influence and competitiveness at the international level.

In accordance with the Lisbon Strategy, guidelines 7 to 11 highlight the importance of knowledge and innovation as factors for competitiveness, growth and sustainable development. Measures taken by Member States should:

- Increase investment in research and development, particularly by businesses (with a general aim of 3% of Europe's GDP, public-private partnerships, centres of excellence of educational institutions and transfer of technologies between public research institutes and businesses);
- Facilitate innovation in all its forms;
- Accelerate the dissemination and widespread use of information communication technologies (ICTs);
- Strengthen the European industrial base; and
- Use resources in a sustainable way.

Guidelines 12 to 16 make recommendations to:

- Extend and deepen the internal market;
- Ensure open and competitive markets;
- Improve European and national regulations;
- Encourage an entrepreneurial culture and create a supportive environment for SMEs; and
- Expand, connect and modernise European infrastructures.

According to most interviewees – at EU level and in the Member States - the BEPG have ***not*** fulfilled their objectives and have not proven to be effective. According to a French interviewee:

".... the BEPG have proven to be not effective. They are not deemed to be strong enough to guarantee compliance or coordination. The BEPG ... are not considered in the budgetary process."

Most interviewees in the Member States are in strong favour of a more stringent method of coordination for the future. They welcome the new proposal for more harmonisation in the EU 2020 perspective.

Enhancing and strengthening political and budgetary coordination was President Barroso's key message of to the European Council during the informal meeting of 11 February 2010[65]:

"Stronger economic policy co-ordination is more essential than ever (...). Working together in a coordinated manner and gearing EU level policies and expenditures towards these objectives is essential. In our interconnected economies, growth and employment will only return if all Member States move (...). Coordination works and Europe adds value (...). Economic policy co-ordination can deliver significant results if it is strengthened and rendered effective."

4.5. ANALYSIS OF THE LEVERAGE EFFECT OF EU CO-FINANCING REQUIREMENTS ON THE MOBILISATION OF NATIONAL PUBLIC RESOURCES

For a number of areas of EU expenditure, a model of co-financing of EU funds is applied. There is obviously a close connection between expenditures from the national and from the EU budget.

The intention of the principle of obligatory co-financing is:

- to generate better results from the limited EU funds by means of engaging additional national resources of the Member States; and
- to increase the sense of responsibility of Member States for EU-funded policies.

Interviewees state that the requirement to co-finance EU funds leads to reorientation of national expenditures and a de facto reorientation of policy priorities of the Member States. This is particularly the case in Member States where national funds are limited and the need for EU public investments is greater than in other Member States. It does not necessarily imply, however, that Member States continue to show synergy with EU policy and budget strategy in implementing their own, purely national, spending programmes in the same policy areas.

In the strict sense, the term 'leverage effect' could be defined in a technical way, meaning the propensity to induce investment by public spending. However, it is more relevant to choose a broader definition, as the European Social Fund and the European Regional Development Fund are the only EU funds within scope of this study that requires obligatory funding by Member States. The broad definition also takes account of any convergence effects of policies (policy coordination)

[65] European Commission, EUROPE 2020 A strategy for sustainable growth and jobs Contribution from the President of the European Commission to the informal meeting of Heads of State and Government of 11 February 2010, http://ec.europa.eu/commission_2010-2014/president/news/statements/pdf/20100210_en.pdf

and the governance aspect of policies. Different types of leverage effects in this context can be distinguished[66]:

- *Pooling of financial resources*, which could include both pooling of public (EU, national, regional, local, etc.) and private (from research institutes, companies, etc.) resources;

- *Strategic policy coordination*, which goes beyond financial leverage and relates to influence on policy design (introduction of general principles, such as multi-year planning approach, gender aspects, social inclusion, etc.) and on the shaping of policy fields (new features introduced in policies fostered by EU funds, policy fields being addressed that were not previously considered at the national and regional level, etc.);

- *Institutional capacity building* (e.g. widespread use of multi-year annual programming, evaluation and monitoring techniques, financial control, etc.) The enhancement of governance and administrative capacity is generally considered as a key means of increasing the effectiveness and benefit of EU funds. Co-financing requirements can lead to the increased use of these practices.

However, given the focus of the study – in this context the financial leverage of co-financing - the report does not go into further detail with regard to this point.

It is important to note that co-financing requirements differ by Member State, by fund and even by type of activity, a feature which leads to multiple leverage effects. Furthermore, recent research on budgetary coordination between the EU and the Member States revealed that it is difficult to identify the share of national budgets devoted to fulfil the co-financing requirements of EU funding, thereby preventing the isolation of the leverage effect[67]. The issue is further complicated by the differences in budgetary procedures between the EU and Member State level.

4.5.1. Social policy

Expenditure by the EU budget on social policy is mostly part of the broader framework of cohesion policy which includes the ERDF, ESF and the Cohesion Fund. The European Regional Development Fund (ERDF), Cohesion Fund and the European Social Fund (ESF) all require some level of co-financing from the Member States' budgets. For example, in the context of ESF, Member States have to cover a part of the costs of projects, which can vary between 15% and 50%.

Regional and cohesion policy became a particular priority for the EU, after the enlargement of the 1970s and 1980s. It was assumed that the importance of cohesion policy would increase again, after 12 'new' Member States – all of them with below EU-average levels of economic development - were granted accession to the European Union in 2004-2007. However, this has not entirely been the case. The interviews revealed some increasing reluctance across Member States to continue the current way of implementing EU cohesion policy, due to scepticism with regard to the results achieved and the fear of growing costs for the EU budget in some Member States – most of them, net contributors. As an interviewee stated:

"The logic in Member States is still very much oriented towards contribution and revenues from the EU budget, instead of towards synergies. Furthermore, I wonder whether there is any relevance in the

[66] The Leverage Effects of European Cohesion Policy under the Structural Funds, Committee of the Regions, January 2007

[67] European Parliament' services, Directorate General Internal Policies of the Union, Policy Department on Budgetary Affairs, Elements for a comparison between EU and national budgets' breakdown from 2002 to 2005, 17/03/2009; Collignon

"additional" expenditure allocated to ESF, ERDF, etc. If there was no European money, would the project have been financed anyway? I am not sure. Against this we try to limit the crowding-out effect that can be generated by pouring EU money into regions. If the market is already doing something well and European money comes in and alters this picture, is it really worth it? This is the case for transport but also with energy. This should be avoided. I am therefore rather sceptical on additionality and leverage effect, at least concerning Structural funds."

On the other hand, cohesion policy is often reduced exclusively to thinking along the lines of bridging the gap in the levels of development. However, cohesion policy also contributes to other effects, including benefits for the neighbouring countries or even the entire EU (construction of Trans-European transport corridors, etc.), and equipping poorer regions with infrastructure with an impact on the quality of life and only indirectly on economic growth. It also serves to build an appropriate regulatory and institutional environment in regions lagging behind in development.

In 2009, the Commission proposed to scrap temporarily the requirement that national governments provide a proportion of the finance for EU-backed regional aid projects. Driven by the context of economic crisis, the Commission referred to the fact that some new Member States were encountering difficulties in making use of regional funding, both because of administrative obligations and the co-financing requirements that these Member States have to meet. However, the Commission's idea to temporarily suspend co-financing requirements faced strong resistance from net EU budget contributors, like Germany, Denmark and the Netherlands. Finally, the Council and the European Parliament decided to maintain co-financing requirements but not to de-commit unspent 2007 appropriations, as should have normally been the case at the end of 2009.

The Commission's proposal demonstrates clearly that the co-financing requirements of EU cohesion policy weigh significantly on the national budgets of a number of Member States, particularly in times of crisis. In objective 1 ('convergence') regions – namely the less developed regions – Community interventions trigger a significant part of national public expenditure through the obligation to provide co-financing. According to the Slovenian interviewee, the leverage effects of EU spending on both private investment and national public spending in Slovenia are significant. For the regions outside Objective 1, cohesion policy is much smaller in scale and proportion. The ESF programmes in these regions are much more concentrated on a limited number of themes, and the effects of co-financing requirements are much less visible or clear. In these Member States, leverage effects of cohesion policy funds – in terms of financial multiplication effects - are rarely systematically observed and examined, nor are they explicitly attributed to Structural Funds.

4.5.2. Research & Development

The EU research programme (FP7) is based on co-financing by project participants. The Commission contributes a certain percentage to the overall costs of research projects. A key difference with the Structural Funds is that FP7 co-financing requirements do not apply to the Member States but to individual project participants, whether public or private. There is thus no direct formal relationship between EU and national government spending.

During the negotiations on the current financial perspective, a discussion took place concerning the principles that should guide the spending of EU research funds. Some Member States put strong emphasis on the criterion of "excellence" as this would offer the best results. The excellence principle would guarantee a higher return from the EU budget invested in research and development activities. However, in new Member States, there is a certain feeling that the emphasis on 'excellence' merely disguises the *'juste retour'* argument, as prestigious research institutions or networks with a proven record of 'excellence' are still primarily situated in the older Member States, while the universities and research institutes in the new Member States are still less

known in the European research community. As a result, new Member States like Slovenia depend more on Structural Funds to finance their R&D activities.

As mentioned before, co-financing requirements lead to more convergence and coordination between policies and expenditure. The fact that Member States do ***not*** have to comply with co-financing requirements in FP7 could reduce synergy and convergence between research policies - and their implementation – at EU and Member State level. Funding schemes for R&D activities in the Member States are often not aligned with the FP7 way of funding. In Belgium (Flanders), for example, the funding scheme is based on a bottom-up approach, which means that researchers can submit requests for public funding without any constraints with regard to the research area - while FP7 funding is mainly shaped top-down, meaning that the Commission grants funding based on number of predefined research priorities. Another example is France, where the bulk of R&D expenditure is still allocated without competition between researchers.

Member States that have not aligned their national financing schemes to the EU method – such as France and Belgium – have the feeling that they are not exploiting fully the potential of FP7. France is fourth in terms of number of applications, but it receives only half of the R&D funding of what Germany is granted[68]. The French "success rate" is however higher than the EU average (28% of applications approved vs. 22% average) but the average size of the project is smaller than the EU average. It shows that, despite the growing share of EU funds in certain French-led R&D areas, French researchers are not fully at ease with this way of financing and continue to rely more on national funds, even at a time when these are shrinking and EU funds are growing.

However, Member States are increasingly realising that national and EU funding schemes should be aligned, to improve coordination. With regard to this point, we refer to The Lund Declaration, drafted under the Swedish EU presidency in July 2009, stated[69]:

"European research must focus on the Grand Challenges of our time moving beyond current rigid thematic approaches. This calls for a new deal among European institutions and Member States, in which European and national instruments are well aligned and cooperation builds on transparency and trust."

Evidence exists of enhanced alignment between the national and EU budgets, partly due to a significant increase in the financial resources of FP7 and the growing share of EU expenditure in total R&D expenditure. As a response, a growing number of Member States are aligning their national funding schemes with the FP7 funding approach. The Netherlands and United Kingdom, both net contributors to the EU budget, are putting more efforts into encouraging their businesses and research universities to apply for EU funding, rather than relying on domestic financial resources. Their research policy is strongly oriented towards assisting private and public actors to access EU funding, rather than expanding their own government support system for R&D actors. Other Member States are also increasingly promoting FP7 as a key funding instrument for private and public R&D. As a Member State official stated:

"Now that the FP7 financial envelope has been substantially increased and that the Member States are reducing or at least not increasing the amount of budget they devote to R&D, the EU programme is much more taken into consideration. All Member States are increasingly trying to orient EU R&D planning and priorities towards the sectors where they are stronger. For instance, for France, this is the case in life sciences, space research and nuclear physics."

[68] Interview with a French government official

[69] The Lund Declaration, Europe most focus on the grand challenges of our time, July 2009, http://www.se2009.eu/polopoly_fs/1.8460!menu/standard/file/lund_declaration_final_version_9_july.pdf

However, despite the growing alignment between R&D funding policy at both levels, some interviewees doubt if this shift in approach will result in a stronger leverage effect, as Member States may come to rely more on EU R&D funds and invest less in R&D at Member State level, resulting in substitution instead of additionality.

"The coordination of objectives is not really existent, but when EU funds become necessary because of pressure on the national budget, then the law of interconnected vessels applies and the Member States will try to get the European money in the first place".

One of the basic weaknesses in this area is the relatively low level of private R&D expenditure. The expenditure objectives for R&D set for the EU by the Lisbon Agenda and EU 2020 (at least 3% of GDP) remain unachieved in most Member States for both public and private sector. One of the key factors constraining R&D is the insufficient availability of financing on acceptable terms for investments involving complex products and technologies, unproven markets and intangible assets. To overcome these difficulties and achieve a stronger leverage effect, the Commission and the European Investment Bank have joined forces to set up the Risk Sharing Finance Facility, an instrument to improve access to debt financing for private companies and public institutions promoting R&D activities. Through this facility, extra lending by the EIB could amount to three or four times of the allocated EU funds. This could lead to a significantly higher leverage of public investment in R&D.

When analysing EU Member States like Sweden and Finland who have met the objective of 3% of GDP, high levels of government support for innovation in these countries, as well as the clear political willingness to place innovation at the heart of policies, are often mentioned. The efforts by the governments underline the strong leverage effect of public expenditure in the field of R&D. Furthermore, the way public support systems are organised is considered to play an important role in the success stories of Sweden and Finland. Both countries have chosen a sectoral orientation for their innovation policy, and research policy advisors and the scientific world cooperate closely with businesses.

From interviews in the Member States, evidence emerges of a stronger leverage effect of EU co-financing on businesses than on research institutes or universities. If the EU would stop funding R&D activities in the Member States under FP7, interviewees state that it would be primarily companies that would decide to cut their R&D expenditure, as the risks of failure for this group of actors are perceived as higher than for (publicly-funded) universities or research institutes.

4.5.3. Education

It is difficult to make a solid assessment of the leverage effect of EU funds, and their co-financing requirements (if any), in the field of education. The European Commission manages a wide range of funds which target different target audiences, with their own financing regulations. Unlike Structural Funds, Member States are not obliged to provide co-financing for the EU funds under the Lifelong Learning Programme. Additional funding is totally dependent on the willingness of the governments[70]. Therefore, according to our interviewees, the leverage effect on the mobilisation of national resources is minimal. Furthermore, the relative share of EU funding in total education spending is very limited.

[70] In Belgium, the Flemish government provides additional funding in the context of the Erasmus programme, as mobility of students and the adjustment to the internationalisation of education are priorities of the current educational policy in the region. No other evidence of additional funding practices has been found in the other Member States included in the study.

In terms of the leverage effect of EU funds on policy coordination, the mobility of students and teachers is gaining importance in all selected Member States. All four Member States are orienting their education systems towards the Europeanisation of education.

4.5.4. Development Aid

In the area of development aid, Member States give part of their national development aid to the EU level, which is further managed by the European Commission, however, there is no co-financing model involving the national budgets of the Member States. The possible level of budgetary coordination among Member States in the field of development aid is considerable, as all EU Member States have committed to achieve the 0.7% (of GDP) expenditure target, set by the UN. However, the effectiveness of budgetary coordination is hindered by the fact that there are no sanction mechanisms in place for "underachievers". All Member States have aligned their policies to the objectives of the European Consensus on Development, as well as to the Millennium Development Goals. Overall, there seems to be general support among decision-makers in the Member States for a more active role of the EU in coordinating development policies.

4.5.5. Foreign and Security Policy

The Common Foreign and Security Policy of the EU does not rely on a compulsory co-financing model. There is limited evidence of budgetary coordination between the EU and national budgets. Foreign and security policy is still highly regarded as a policy area with a strong national dimension, despite the growing alignment of policy priorities at EU level.

However, it has long been acknowledged by academic studies that the financing of public goods with an inherently international dimension, such as defence, external and internal security and protection of frontiers would be much more effective if it were managed at EU level than by the Member States separately. Furthermore, as a French interviewee states:

"With the CFSP we have seen how Member States are collaborating to give more money to this pillar and get more engaged in Afghanistan and Iraq. This is not yet an EU wide engagement, but it shows that the Member States are sometimes willing to expand the budget of the EU, or is it because Afghanistan and Iraq are extremely unpopular subjects at home?[71]*"*

[71] An interesting coordination example within this area is ATHENA, a mechanism established by the Council whose objective is to finance the common costs of military operations based on contributions by Member States. As opposed to civilian operations, military and defensive operations cannot be financed from the EU budget. Common costs are narrowly defined in the ATHENA mechanism. The majority of costs of military operations (about 90 percent) are covered according to the 'costs lie where they fall' principle by the Member States which engage in the missions themselves. As a consequence of the principle, the burden primarily falls on the Member States who are most engaged in the conduct of operations. This may constitute a disincentive to engage in peace missions carried out as part of the ESDP by the EU as a whole.

4.6. CONCLUSIONS ON AVAILABLE COORDINATION MECHANISMS BETWEEN EU AND NATIONAL BUDGETS

Apart from the formal co-financing requirement attached to Structural Funds spending, coordination of Member State budgets with the EU budget tends to take place in an indirect or implicit way. The EU and national budgets are mutually affected by EU hard law, and by multiple formal and informal policy coordination mechanisms.

The Open Method of Coordination and BEPG are regarded as instruments that are "too soft" to have a real coordination and convergence effect, as they lack sanction mechanisms.

Moreover, the differences between the budgetary procedures in the Member States and those at EU level are generally regarded as contributing to the current lack of coordination.

Co-financing of EU funds leads to reorientation of national expenditures and a greater or lesser reorientation of policy priorities of the Member States. This is particularly the case in Member States where EU funding represents a relatively high share of total spending in the specific areas.

Despite the fact that Member States are not obliged to provide additional financing to FP7 spending, there is evidence of increasing alignment between the national budgets and the EU budget, since the financial resources of FP7 have increased substantially, making it relatively more important as a part of total funding for research. A growing number of Member States are aligning their own R&D government support system to the EU funding scheme's approach.

The education area is one where EU spending represents a very small part of total expenditure and is too insignificant to warrant formal coordination. Some interviews refer to the convergence effect obtained by the introduction of benchmarking practices in the field of education. Governments are sensitive to 'naming and shaming' that can result from these benchmarks.

In the area of development aid, Member States give part of their national development aid to the EU level, which is further managed by the European Commission, however, there is no co-financing model involving the national budgets of the Member States. All EU Member States have committed to achieve the 0.7% (of GDP) expenditure target, set by the UN. All Member States have aligned their policies to the objectives of the European Consensus on development, as well as to the Millennium Development Goals. Overall, there seems to be large support among decision-makers in the Member States for a more active role of the EU in coordination policies in the field of development.

In the field of foreign and security policy, there is limited evidence of budgetary coordination between the EU budget and the national budgets. Foreign and security policy is still highly regarded as a policy area with a strong national dimension, despite the growing alignment of policy priorities at EU level.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

This study focused on the budgetary interventions at EU and national levels in five policy areas – education, research, social policy, development aid and foreign/security policy - and on the mechanisms and processes aiming at ensuring budget coordination between the national budgets and the EU budget. The research team conducted an analysis of the guiding budgetary and policy objectives at European and national levels for these five areas, as well as the extent to which they are compatible, complementary or similar, based on research in four Member States - Belgium, France, Slovenia and Portugal. Based on literature review and a series of face-to-face interviews with officials at EU and Member State level, current mechanisms and procedures aiming at coordinating EU and national expenditure were analysed and evaluated, as were the reasons for a lack of synergy between the European and national levels.

The analysis of public expenditure data demonstrated that the size of the EU budget – which accounts for approximately 2% of total public expenditure in the EU - is particularly modest, relative to national expenditure, in areas such as social policy, education, and foreign/security policy. It is higher in areas such as development aid and R&D.

The budgetary analysis demonstrated that both the EU budget and Member States' budgets are only partly oriented towards the objectives and spending targets put forward in the Lisbon strategy. Whereas Lisbon sets a target for research spending of 3% of GDP for all Member States and emphasises the importance of lifelong learning and skills enhancement of employees, the analysis of the EU and national budgets reveal discrepancies between such commitments and the financial resources deployed. A modest part of the EU budget is spent on activities that contribute to the realisation of the Lisbon strategy, while national budgets seldom refer to achieving the objectives of the strategy.

In general, the priorities of the four Member States in the five policy areas are congruent with those of the EU. This is most clearly the case in the areas of development aid and foreign/security policy. In the case of education and social policy, lifelong learning and enhancing the flexibility and employability of workers are gaining importance, in line with the EU policies, in all four Member States. Furthermore, with regard to R&D, Member States are increasingly aligning their R&D strategy and national funding methods with the objectives and functioning of the EU research programme. The analysis also reveals that alignment of policy priorities is strong in policy areas – such as cohesion policy where eligibility for EU funding is subject to co-financing requirements. This is particularly the case in Member States where the relative share of EU expenditure is higher and where the need for public investment is greater than in other Member States.

Interviewees recognise that given the current economic and financial crises and scarce financial resources, there is a strong need for better coordination between European and national policy objectives. Such coordination could lead to greater synergy between the European and national level expenditure, respecting and strengthening subsidiarity, additionality, European value added and the advantages of economies of scale.

While few examples of formal budgetary coordination mechanisms could be identified, this does not mean that there is no coordination at all. National governments cannot ignore EU public spending policy. National budgetary choices increasingly take into account the EU budget to complement, reinforce or correct its effects. The EU and the Member States are coordinating their policies through a wide range of often implicit coordination mechanisms: networks and meetings, benchmarking practices and peer reviews, the broad economic policy guidelines and the Open

Method of Coordination, etc. Moreover, the EU budget and national budgets are also mutually affected by EU hard law.

Although interviewees recognised the relevance of coordination mechanisms for creating budget synergies, they acknowledge that they are rarely put into practice. The BEPG, and the Open Method of Coordination more generally, are regarded as instruments with limited coordination and convergence effects, as they lack sanction mechanisms.

Discrepancies and disconnections between the budgetary procedures in the Member States and those at EU level are put forward as a reason for the current lack of budget synergy. Basic issues such as length and timing of budget cycles and the absence of an agreed Europe-wide standard budget structure, complicate the search for synergy.

Co-financing requirements, related to some types of EU funding lead to some extent to reorientation of national expenditures and a de facto reorientation of policy priorities of the Member States. This is particularly the case in Member States who depend more on EU budgetary transfers than others. In the area of social policy, co-financing requirements of the ESF and ERDF are considered to result in an increased alignment of policy priorities between both levels and affect national budgets. However, this positive leverage effect is limited and less visible in Member States who receive relatively little money, like France and Belgium.

Concerning R&D, there is evidence of increasing alignment between the national budgets and the EU budgets, since the financial resources of FP7 increased substantially, making it relatively more important as a part of total funding for research.

In case of education, Member States are not obliged to provide additional funding to EU funds. The leverage effect of EU funding is mainly limited to enhanced policy coordination, for example by benchmarking practices. To safeguard and increase the employability of the labour force, lifelong learning programmes and vocational training are gaining importance in all Member States.

In the area of development aid, Member States give part of their national development aid to the EU level, which is further managed by the European Commission, however, there is no co-financing model involving the national budgets of the Member States. All EU Member States have committed to achieve the 0.7% (of GDP) expenditure target, set by the UN. All Member States have aligned their policies to the objectives of the European Consensus on development, as well as to the Millennium Development Goals.

In the field of foreign and security policy, there is limited evidence of budgetary coordination between the EU budget and the national budgets. Foreign and security policy is still highly regarded as a policy area with a strong national dimension, despite the growing alignment of policy priorities at EU level. It is assumed that national budgets are more impacted by decision-making within the context of NATO.

5.2. RECOMMENDATIONS

The following recommendations could enhance budgetary coordination between the EU budget and national budgets:

First, the transparency and visibility of budgetary coordination between both levels could be enhanced by *aligning the categories of expenditure at national and EU budget level.* An aggregate analysis of European public finance –requiring high quality and comparable data on the functional breakdown of government expenditure - is currently lacking. Comparing public expenditure data

of the Member States is possible through using a functional breakdown of government expenditure, based on the COFOG methodology (Classification of Functions of Government). As it does for the national budgets, Eurostat could also align the current categories of expenditure of the EU budget with the COFOG categories - without changing the EU budget structure - , in order to be able to compare national and EU public expenditure simultaneously within one analytical framework.

Second, Member State authorities could agree to include an overview of their financial commitments and efforts to the realisation of the EU objectives and strategies in their national budgets. This would provide an opportunity for governments and parliaments to relate national objectives to agreed commitments at EU level. It would also establish a framework within which EU and national expenditure could be set, and would provide an insight into the financial leverage effects of EU funding instruments.

Third, the national parliaments and the European Parliament should work together to enhance budgetary coordination between both levels. In addition to the existing forum at Council level, discussions between EU and national parliaments – which both have budgetary powers – could be an effective means to find ways forward with regard to enhanced budgetary coordination and to stimulate national authorities to consider EU expenditure at the level of national budgets with more attention. Such discussions could also focus on the weaknesses that were identified in this report and on the coordination that is needed for specific categories of expenditure.

ANNEX 1: METHODOLOGY

In order to be able to formulate sound conclusions with regard to the level of existing coordination and congruence between the EU and national budgets, the following were carried out:

- An in-depth analysis of public expenditure data available at EU and Member State level;
- A series of face-to-face interviews with officials at EU and Member State level.

1.1. ANALYSIS OF AVAILABLE PUBLIC EXPENDITURE FIGURES

1.1.1. Public expenditure data at Member State level

In analysing public expenditure in the Member States, the research team initially favoured a functional breakdown of government expenditure based on COFOG (Classification of Functions of Government). COFOG is regarded as a unique classification that enables the national budgets of all EU-27 states to be presented consistently and to bridge the existing differences in the national budgetary frameworks.

This annex provides an overview of the correspondence of the selected categories of expenditure to the applicable COFOG categories[72].

The functional breakdown of public expenditure based on COFOG is highly relevant for two of the selected categories of expenditure - 'social policy'[73] and 'education'[74]. For the other categories, however, an analysis based on COFOG is less suitable because:

- 'Research and Development' is not a COFOG level I category, i.e. R&D expenditure is not collected under a single umbrella and needs to be allocated separately to all level I categories based on the purpose of specific expenditure. For example, R&D into environmental protection falls under the COFOG heading 'environmental protection'. Consequently, we have relied on data on R&D expenditure from the Member States which are based on a different classification system called *Government budget appropriations or outlays on R&D* (GBAORD)[75].

[72] As mentioned, the selected categories of expenditure are not directly the ones from Cofog, due to the fact that they are based on the heading structure of the General Budget of the European Union.

[73] Data extract from the Eurostat database. The social protection expenditure data are not based on ESSPROS (European System of integrated Social Protection Statistics) domain, which are generally used by Eurostat. ESSPROS is an instrument of statistical observation which enables international comparison of the administrative national data on social protection in the EU Member States. ESSPROSS classification of the social protection function was adopted with the exception of the health care function (which is treated separately) by the UN Classification of the Functions of the Government (COFOG). The distinction is important as the COFOG category 'Social protection' does not include public expenditure on health. The research team has not opted to apply ESSPROS-based expenditure data, as health is out of scope of this study.

[74] Data extracted from the Eurostat database and the Unesco Institute of Statistics Database. Data collection covering formal education is administered jointly by the UNESCO Institute, the OECD and Eurostat. It is referred to as the "UOE" data collection. There are strong links between COFOG classification and the UOE data collection, as data are both complied according universally applied ISCED classification (developed by ISCED). There are also some inconsistencies at current stage, but they would only slightly influence the result of the analysis. More information on: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-022/EN/KS-RA-07-022-EN.PDF.

[75] GBAORD are a way of measuring government support to R&D activities; they include all appropriations allocated to R&D in central (or federal) government budgets. It is important to note that GBAORD represent budgetary forecasts and not actual expenditure (cfr. Cofog). Nevertheless, the research team favors the use of R&D expenditure data based on GBOARD instead of the more complex analysis that is required in case of using COFOG classification

- 'External relations', which for the EU is part of CFSP is a COFOG level III subcategory under category I 'General public services'. Member States seldom report level III COFOG data. Therefore, the research team made use of other information sources.

- The same is true for Development and Humanitarian Aid (also level III), for which Eurostat data have been used, as well as data from the OECD-DAC (Development Assistance Committee) database.

1.1.2. Public expenditure data at EU level

In analysing EU expenditure, the COFOG classification can be more difficult to apply, where specific budgetary categories such as Financial Frameworks are used. In order to be able to compare national with EU public expenditure through one analytical framework, the headings of the EU annual budget were broken down into smaller categories of expenditure to be reconciled with COFOG categories I and II.

The European Commission applies *activity based budgeting (ABB)*, meaning that the budget appropriations and resources are also categorised by activity/purpose (policy area). In theory, this could allow us to consider what policies are pursued, and within them, what activities make up the policies, how much money is spent on each of them, and even how many people work on them. Every financial year, the European Commission launches reports on the annual adopted budget and the annual budget implementation (budget appropriations authorised and implemented by policy area and budget line)[76].

The alignment of the breakdown of the EU budget by the selected categories of expenditure is relatively straightforward for two of the categories in scope: common foreign and security policy (defense), and humanitarian and development aid.

However, for the other three categories of expenditure that are in scope (research, social policy and education) EU public expenditure had to be further broken down, based on the budget chapters as well as detailed information from the DGs on the exact purposes of different activities/intervention at EU level.

Challenges with regards to allocation of the EU public expenditure to the selected categories of expenditure are particularly related to:

- Assigning expenditure to the different policy areas of Regional Policy (which covers the European Regional Development Fund and the Cohesion Fund), is rather complicated, as the ERDF invests in a wide range of activities: economic development, R&D, education, social protection, etc. However, the EU annual budgets do not contain detailed information about the purpose of the activities that are financed by the ERDF. Consequently, the European Parliament's services requested data from DG REGIO in order to identify the exact and final destination of the funds that have been granted. Based on these data, EU expenditure within the structural policies has been allocated to one of the selected categories of expenditure (education, R&D, social protection).

[76]Commitments are legal pledges to provide finance, provided that certain conditions are fulfilled; payments are cash or bank transfers to the beneficiaries. Appropriations for commitments and payments often differ because multi annual programmes and projects are usually committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses.

- The policy area 'Employment and Social Affairs' (including the European Social Fund) does not only relate to the 'social protection' category of expenditure, as ESF funding is also granted for 'economic affairs' and 'education' purposes.

- EU expenditure on 'education and culture' is a single policy area. However, as the scope of this study is limited to 'education' and does not include 'culture', the research team carefully scanned the EU annual budgets in order to identify the destination of expenditure in this policy area.

The table below gives an overview of the correspondence of the selected categories of expenditure at EU level with their relevant COFOG categories.

Table 29: Correspondence of the selected categories of expenditure at EU level with other relevant COFOG categories

	COFOG CATEGORIES							
EU policy area	General public services	Defence	Social protection	Economic affairs	Environment protection	Health	Culture	Education
Research	X			X	X	X		
Direct research	X							
External relation (incl. Foreign and security policy)	X							
Humanitarian Aid	X							
Development and relations with ACP	X							
Economic and social affairs			X	X				X
Education and culture							X	X

1.2. OVERVIEW OF DATA SELECTION AND DATA AVAILABILITY

To summarise the methodological considerations in the section above, the table below gives an overview of the data sources and budget lines selected for the analysis.

Table 30: Selection of budget lines and information sources with regards to public expenditure in the selected policy areas[77]

	R&D	HUMANITARIAN AND DEVELOPMENT AID	EDUCATION AND TRAINING	SOCIAL POLICY	FOREIGN AND SECURITY POLICY[78]
			Where to find data?		
EU	EU annual budget headings: • Chapter 4 02 (European Social Fund) • Chapter 06 06 — Research related to energy and transport • Title 08 — Research • Title 13 — Regional policy • Chapter 09 05 — Capacities — Research infrastructures • Title 10 — Direct research	Annual budget headings: • Chapter 19 09 — Relations with Latin America • Chapter 19 10 — Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen) • Title 21 — Development and relations with ACP States • Title 23 — Humanitarian aid •	Annual budget headings: • Title 15 — Education and Culture • Chapter 04 02 — European Social Fund • Chapter 04 06 — Instrument for Pre-Accession Assistance (IPA)-Human resources development • Title 13 — Regional policy	Annual budget headings: • Title 04 — Employment and Social Affair • Title 13 — Regional policy •	Annual budget headings: • Title 19 — External relations
Member States	Government budget appropriations or outlays on R&D (GBAORD)[79].	Data on Official Development Assistance produced by the OECD-DAC and available at	Public administration spending in support of Teaching following	Public administration spending in support of 'Social Protection'	Public administration spending in support of Foreign and Security

[77] With regards to the selected expenditure categories 'R&D', 'Human and Development Aid' as well as 'Education and Training', a similar approach has been used for a study conducted by Le Centre d'Analyse Stratégique' with the aim to compare EU Community expenditure and Member States expenditure. See: "The European Union Budget: Some central issues at Stake in the 2008-2009 Revision" (www.strategie.gouv.fr/IMG/pdf/FwkdocumentLisbonne4.final-2.pdf)

[78] It should be noted that Foreign and Security Policy is not part of COFOG level 1. Therefore, it is not advisable to rely on COFOG classification in order to retrieve data with regards to public expenditure by Member States in Foreign and Security policy.

Note: GBAORD represents budgetary forecasts and not actual spending[80].	Eurostat (only applicable for EU DAC countries).	Classification of Functions of Government (COFOG)[81].	following Classification of Functions of Government (COFOG).	policy following Classification of Functions of Government (COFOG).

[79] An alternative way to retrieve data on R&D expenditure by the Member States is to sum all R&D public expenditure under the different categories that are reported through the COFOG classification. However, it should be noted that R&D is not part of COFOG level 1. Therefore, it is more complicated to rely on COFOG classification in order to retrieve data with regards to public expenditure by Member States in R&D.

[80] Government budget appropriations or outlays for research and development, abbreviated as GBAORD, are a way of measuring government support to R & D activities; they include all appropriations allocated to R & D in central (or federal) government budgets and are available for all EU member states.

[81] According to the European Commission, all Member States should prepare and publish data by function at level II, as 2nd level data on expenditure by function are crucial in analysing the effectiveness and efficiency of general government spending. COFOG level 1 only allows for a very aggregate analysis Due to the high limitations in data preparation faced by all Member States, internationally comparable COFOG 2nd level data are not available as yet.

1.3. FACE-TO-FACE INTERVIEWS

To complete the data analysis of public expenditure at EU and Member State level, a series of face-to-face interviews were conducted.

At EU level, the research team conducted interviews with European Commission officials (DGs ECFIN and BUDGET) and representatives of the Council of the EU. The interviews aimed to verify the research team's data analysis of EU public expenditure. Moreover, interviewees at EU level provided more insight into the existing spending patterns at EU level and their level of congruence with public spending in the Member States.

Secondly, we conducted interviews with multiple stakeholders in the four selected Member States. The interview phase in the Member States included officials of some or all of the following: the different national parliaments, the courts of audit, the national planning and statistical offices, and government officials – within the Ministries of Finance or Budget, and in the selected policy areas (R&D, social policy, education, development and humanitarian aid, foreign and security policy). The interviews aimed to provide a clear insight into the budgetary procedures and practices that are in place in these Member States and to assess the level of congruence between the policy and budget priorities at EU level, and the respective Member States. Additionally, they focused on the role and interactions with EU institutions and legislation when drafting national budgets.

Annex 1 (1.6) contains a list of interviewees for all selected Member States and at EU level. The table below provides an overview of the policy area and geographical coverage of the interview phase.

Table 31: Geographical and sector coverage of interview sample

	SLOVENIA	FRANCE	BELGIUM	PORTUGAL
Education	X		X	X
Research and development	X	X	X	
Social policy		X	X	X
Development and assistance aid	X	X	X	X
Security policy	X		X	
Ministry of Budget or Finance	X	X	X	X
Parliamentary Committee	X	X	X	X
Court of Audits	X			
Statistical Offices	X		X	

1.4. ANALYSIS OF THE EU BUDGET AND ITS LEVEL OF IMPLEMENTATION

The following relevant methodological notes related to the analysis of the EU budget – see expenditure figures above p.11-33 – should be made by category of expenditure:

Education

Budget lines that were taking into consideration for the analysis of 'education and training' expenditure include:

- The EU lifelong learning programme (under chapter 15: Education and Culture);
- Erasmus Mundi Programme (under chapter 15 Education and Culture);
- The administration that is managing the lifelong learning programme and Erasmus Mundi (under chapter 15 Education and Culture)[82];
- Funding from the European Social Fund that was allocated for purposes of education and training[83];
- The administration that manages the European Social Fund, indirectly allocated to Education and Training based on a allocation key[84];
- The instrument for pre-accession assistance, that provides funding for the development of human resources;
- Funding from the European Regional Development Fund (ERDF) that was allocated for purposes of education and training[85].
- The administration that manages the ERDF, indirectly allocated to Education and Training based on a allocation key[86];

As Chapter 15 Education and Culture does not distinguish education and culture expenditure, the unspecified administrative costs (overhead) has been allocated indirectly to 'education', based on a predefined distributional key that was developed by the research team.

Key to allocate administrative overhead costs to respectively education and culture:

- Step 1 - Allocation of administrative costs (chapter 15) that can be directly allocated to the areas of education and culture

EDUCATION	CULTURE
Erasmus Mundus — Expenditure on administrative management	Culture Programme (2007 to 2013) — Expenditure on administrative management

[82]A part of the administration costs could be directly allocated to 'education' (budget lines 15 01 04 14 / 15 01 04 17 / 15 01 04 22); a part of the administration costs had to be allocated indirectly to 'education' and 'culture', based on distributional key (or the sum of budget line 15 01 minus the sum of the budget lines that could be allocated directly to education or culture).

[83]The European Parliament's services requested data from DG REGIO with regards to the destination of the ESF and ERDF funding during the period 2004-2010 (certified expenditure). Based on these data, calculations were made to assess the share of funding that was allocated to educational purposes.

[84]The administration costs of managing the ESF serving educational purposes was estimated based on the share of funding that was allocated to educational purposes. See above.

[85] Ibid.

[86]The administration costs of managing the ESF serving educational purposes was estimated based on the share of funding that was allocated to educational purposes. See above.

Cooperation with non-member countries on education and vocational training — Expenditure on administrative management	Youth in Action — Expenditure on administrative management
Lifelong learning — Expenditure on administrative management	Europe for Citizens — Expenditure on administrative management

- Step 2 – The rest are administrative costs (overhead) that cannot be directly allocated and for which a distributional key is required. Based on the key, the share of respectively 'education' and 'culture' in total expenditure under Chapter 15 Education and Culture was being assessed.

CATEGORY	AMOUNT OF EXPENDITURE (2010-PAYMENTS)	% OF TOTAL EXPENDITURE ON 'EDUCATION AND CULTURE' - CHAPTER 15
Expenditure directly allocated to education (incl. administrative)	€ 1.124.980.000,00	78.0%
Expenditure directly allocated to culture (incl. administrative)	€ 210.784.000,00	14.6%
Unspecified administrative overhead costs	€ 106.613.342,00	7.4%

- Step 4 – Indirect allocation of the administrative overhead costs based on their respective share in total amount of expenditure under title 15 (Education: 78% - Culture:14.6%)

Unallocated administrative overhead costs	€ 106.613.342,00	
	Education (78%)	€ 83.158.406,76
	Culture (14,6%)	€ 15.565.547,93

- Step 5 – The same distributional key was applied for the period 2007-2009[87].

Similarly, the distributional key was defined to allocate unspecified administration costs for the management of the ESF and the ERDF to the policy area of education and training.

Research & Development

Concerning the analysis of the R&D expenditure at EY level, the following budget lines of the General budget of the EU were taking into consideration:

- Chapter 04 02 European Social Fund (and its administration): a minor percentage of ESF funding is allocated to R&D purposes[88];
- Chapter 06 06 Research related to energy and transport;
- Title 08 Research, which covers the FP7 programme activities and FP7 Euratom;

[87] Hence, the allocation of non-specified administrative overhead costs is based on estimations.

[88] Based on the distributional key that has also been applied for education and training, the weight of R&D ESF funding is estimated 0.6%.

- Title 13 Regional policy: it is estimated that about 6% of the ERDF fund is allocated to R&D purposes;
- Chapter 10 Direct Research: covering the own research activities of the European Commission (JRCs);
- Chapter 11 05 Fisheries research.

Social policy

The analysis of social policy expenditure at EU level included the following budget lines of the General Budget of the EU:

- Title 04 Employment and Social Affairs, including:
  - European Social Fund and its administration[89]. The General budget does not detail the destination of the ESF-funded activities. Therefore, the European Parliament's services provided us information from DG REGIO[90]. ESF funding is allocated to four different destinations in the field of social policy: labour market policy (about 26% of total ESF funding), social inclusion (14,3%), workforce flexibility, innovation and entrepreneurial activity (17,8%) and positive labour market actions for women (about 5%);
  - European Globalisation Adjustment Fund;
  - Instrument for Pre-accession Assistance, which also entails employment measures.

- Title 13 – Regional policy, covering the European Regional Development Fund: about 2% of ERDF funding is estimated to contribute to social policy objectives.

Humanitarian and development aid

Concerning the analysis of social policy expenditure at EU level, following budget lines of the General Budget of the EU were taken into consideration:

- Title 04 Employment and Social Affairs, including:
  - European Social Fund and its administration[91]. The General budget does not detail the destination of the ESF-funded activities. Therefore, the European Parliament's services provided us with information from the Structural Funds database[92]. ESF funding is allocated to four different destinations in the field of social policy: labour market policy (about 26% of total ESF funding), social inclusion (14,3%), workforce flexibility, innovation and entrepreneurial activity (17,8%) and positive labour market actions for women (about 5%);
  - European Globalisation Adjustment Fund;
  - Instrument for Pre-accession Assistance, which also entails employment measures.

- Title 13 – Regional policy, covering the European Regional Development Fund: only 2% of ERDF funding is estimated to contribute to social policy objectives.

[89] Expenditure under the European Social Fund has also partly been allocated to other policy areas (education, R&D, etc.), not solely to social policy.

[90] As mentioned, the share of social policy activities in total ESF funding is based on estimations, more precisely on the average of the different shares of social policy activities in total ESF funding for the period 2004-2009.

[91] Expenditure under the European Social Fund has also partly been allocated to other policy areas (education, R&D, etc.), not solely to social policy.

[92] As mentioned, the share of social policy activities in total ESF funding is based on estimations, more precisely on the average of the different shares of social policy activities in total ESF funding for the period 2004-2009.

Common and Foreign Security Policy (CFSP)

For the analysis of the EU expenditure in this domain, a broad definition of CFSP has been applied, also including external relations expenditure that is not related to trade, humanitarian aid or development policy. Following budget lines are taken into consideration:

- Title 19 – External relations: minus the EU expenditure that was allocated under Title 19 to development policy objectives (under Chapter 19 09 Relations with Latin America, as well as Chapter 19 10 Relations with Asia, Central Asia and Middle East). Expenditure for the reconstruction of Afghanistan has not been considered as an expenditure corresponding to EU development policy objectives.

1.5. LIST OF INTERVIEWEES

1.5.1. Interviewees at EU level

NAME	INSTITUTION	FUNCTION	DATE
Silvano Presa	Comm – DG BUDG	Director "Dépenses"	4/02/2010
Michael Grams (on behalf of M. Reroose)	Comm- DG ECFIN	B.4: Reforms under the Sustainable Development Strategy	11/02/2010
Francois Van Hövel	Council of the EU	Director DG G- Economic and social affairs/Directorate 2	18/02/2010
Alenka Jaschke (on behalf of M. Galler)	Council of the EU	G1A - Economic Policy / Politique économique	19/02/2010

1.5.2. Interviewees in Belgium

NAME	INSTITUTION	FUNCTION	DATE
Pierre Crevits	Belgian Federal Minister of Budget, Minister's Cabinet	Head of Office, Minister's Cabinet Mr. Melchior Wathelet	09/02/2010
Terence Burgers	Belgian Federal Minister of Budget, Minister's Cabinet	Policy Advisor, R&D	09/02/2010
Sébastien Bastaits	Belgian Federal Minister of Budget, Minister's Cabinet	Policy advisor Foreign Affairs & Development Aid	09/02/2010
Yves Libert	Belgian Federal Minister of Budget	Adjunct-Kabinetchef, Budget & Defence	09/02/2010
Johan Van Biesen	Flemish Minister of Education, Minister's Cabinet	Policy advisor, Budget	02/02/2010
Pierre Verkaeren	Permanent Representation of Belgium at the EU	Inspector-General for Finance	25/02/2010
Alain Deleener	Agency for Innovation by Science and Technology (IWT Flanders)	Coordinator European programmes	03/02/2010
Ward Ziarko	Federal Science Policy (Belspo)	Head of 'Production & Analysis of R&D indicators'	14/02/2010
Henri Bogaert	Federal Planning Bureau	Plan Commissioner	25/02/2010
Hendrik Bogaert	Federal Parliament – Chamber	Vice-president of Parliamentary Committee of Budget & Finance	25/02/2010

1.5.3. Stakeholders in France

NAME	INSTITUTION	FUNCTION	DATE
Irchad Razaaly	French Permanent Representation at the EU	Advisor, Development Aid	25/03/2010
Florence Dubois	Ministère des Finances	Head of Department 'EU	18/03/2010

Stevant		Affairs'	
Etienne Grass	French Permanent Representation at the EU	Advisor, Social Affairs (coming from the Ministry of Social Affairs)	17/03/2010
Philippe Lonne	French Permanent Representation at the EU	Advisor, Budget and R&D (coming from the Ministry of Budget)	26/02/2010
Sébastien Bakhouce	French National Assembly	Advisor, Parliamentary Committee of Budget & Finance	09/03/2010

1.5.4. Stakeholders in Portugal

NAME	INSTITUTION	FUNCTION	DATE
M. Fernando Teixeira dos Santos	Ministry of Finance (holds both finance and national budget)	Minister of Finance	01/02/2010-31/03/2010
Ms. Isabel Alçada	Ministry of Education	Minister of Education	01/02/2010-31/03/2010
Ms. Helena André	Ministry of Social Security	Minister of Social Security	01/02/2010-31/03/2010
M. Paulo Mota Pinto	Portuguese Parliament	President of the Budget and Finance Parliamentary Commission	01/02/2010-31/03/2010
M. Augusto Correia	IPAD (Portuguese Institute for Development Aid, integrated in Ministry of Foreign Affairs)	Head of IPAD	01/02/2010-31/03/2010

1.5.5. Stakeholders in Slovenia

NAME	INSTITUTION	FUNCTION	DATE
Helena Kamnar	Ministry of Finance	Secretary of State	01/02/2010-20/03/2010
Danica Lašič	Ministry of Foreign Affairs	Accounting and finances department	01/02/2010-20/03/2010
Uroš Prikl	Ministry of Labour, Family and Social Affairs	Deputy Secretary General	01/02/2010-20/03/2010
Barbara Kremžar	Department for International Development Cooperation and Humanitarian Aid, Ministry of Foreign Affairs	First Secretary	01/02/2010-20/03/2010
Matej Kramberger	Department for International Development Cooperation and Humanitarian Aid, Ministry of Foreign Affairs	Advisor	01/02/2010-20/03/2010
Tina Eržen	Court of Auditors	Supreme State Auditor	01/02/2010-20/03/2010
Helena Jenko	Court of Auditors	Deputy supreme court auditor	01/02/2010-20/03/2010

All interviews were done face to face, except for R&D domain data where information was sent by e-mail (sent by Mateja Bizilj – Head of Finance Sector).

ANNEX 2: CORRESPONDENCE OF THE SELECTED CATEGORIES OF EXPENDITURE TO COFOG CATEGORIES

Table 32: Correspondence of the selected categories of expenditure to the relevant Cofog categories

		R&D	Hum and dev aid	Education	Social policy	Foreign and security policy
Code	*Description*					
01	General public services					
01.1	Executive and legislative organs, financial and fiscal affairs, external affairs					
01.1.1	Executive and legislative organs (CS)					
01.1.2	Financial and fiscal affairs (CS)					
01.1.3	External affairs (CS)					x
01.2	Foreign economic aid		x			
01.2.1	Economic aid to developing countries and countries in transition (CS)		x			
01.2.2	Economic aid routed through international organizations (CS)		x			
01.3	General services					
01.3.1	General personnel services (CS)					
01.3.2	Overall planning and statistical services (CS)					
01.3.3	Other general services (CS)					
01.4	Basic research	x				
01.4.0	Basic research (CS)	x				
01.5	R&D General public services	x				
01.5.0	R&D General public services (CS)	x				
02	Defence					
02.1	Military defence					
02.1.0	Military defence (CS)					(x)
02.3	Foreign military aid					
02.3.0	Foreign military aid (CS)					x
02.4	R&D Defence	x				
02.4.0	R&D Defence (CS)	x				
02.5	Defence n.e.c.					
02.5.0	Defence n.e.c. (CS)					
03	Public order and safety					
03.5	R&D Public order and safety	x				
03.5.0	R&D Public order and safety (CS)	x				

		R&D	Hum and dev aid	Education	Social policy	Foreign and security policy
04	Economic affairs					
04.8	R&D Economic affairs	x				
04.8.1	R&D General economic, commercial and labour affairs	x				
04.8.2	R&D Agriculture, forestry, fishing and hunting (CS)	x				
04.8.3	R&D Fuel and energy (CS)	x				
04.8.4	R&D Mining, manufacturing and construction (CS)	x				
04.8.5	R&D Transport (CS)	x				
04.8.6	R&D Communication (CS)	x				
04.8.7	R&D Other industries (CS)	x				
05	Environmental protection					
05.5	R&D Environmental protection	x				
05.5.0	R&D Environmental protection (CS)	x				
06	Housing and community amenities					
06.5	R&D Housing and community amenities	x				
06.5.0	R&D Housing and community amenities (CS)	x				
07	Health					
07.5	R&D Health	x				
07.5.0	R&D Health (CS)	x				
08	Recreation, culture and religion					
08.5	R&D Recreation, culture and religion	x				
08.5.0	R&D Recreation, culture and religion (CS)	x				
09	Education					
09.1	Pre-primary and primary education			x		
09.1.1	Pre-primary education (IS)			x		
09.1.2	Primary education (IS)			x		
09.2	Secondary education			x		
09.2.1	Lower-secondary education (IS)			x		
09.2.2	Upper-secondary education (IS)			x		
09.3	Post-secondary non-tertiary education			x		
09.3.0	Post-secondary non-tertiary education (IS)			x		
09.4	Tertiary education			x		
09.4.1	First stage of tertiary education (IS)			x		
09.4.2	Second stage of tertiary education (IS)			x		
09.5	Education not definable by level			x		
09.5.0	Education not definable by level (IS)			x		
09.6	Subsidiary services to education			x		
09.6.0	Subsidiary services to education (IS)			x		
09.7	R&D Education	x				
09.7.0	R&D Education (CS)	x				
09.8	Education n.e.c.			x		
09.8.0	Education n.e.c. (CS)			x		

10	Social protection					
10.1	Sickness and disability				x	
10.1.1	Sickness (IS)				x	
10.1.2	Disability (IS)				x	
10.2	Old age				x	
10.2.0	Old age (IS)				x	
10.3	Survivors				x	
10.3.0	Survivors (IS)				x	
10.4	Family and children				x	
10.4.0	Family and children (IS)				x	
10.5	Unemployment				x	
10.5.0	Unemployment (IS)				x	
10.6	Housing				x	
10.6.0	Housing (IS)				x	
10.7	Social exclusion n.e.c.				x	
10.7.0	Social exclusion n.e.c. (IS)				x	
10.8	R&D Social protection	x				
10.8.0	R&D Social protection (CS)	x				
10.9	Social protection n.e.c.				x	
10.9.0	Social protection n.e.c. (CS)				x	

ANNEX 3: DATA ON PUBLIC EXPENDITURE IN R&D

Table 33: Total R&D appropriations (in millions of euro), based on GBOARD classification, 2004-2010

Country	2010	2009	2008	2007	2006	2005	2004
EU (27 countries)			89.773,05	87.728,20	82.952,13	80.955,97	77.653,77
EU (15 countries)			86.011,64	84.467,86	80.181,12	78.603,33	75.626,08
Euro area (16 countries)			70.106,84	66.940,41	63.329,26	62.581,30	59.734,71
Belgium			2.041,34	2.024,85	1.945,67	1.787,67	1.713,32
Bulgaria			108,65	79,58	75,41	68,41	66,40
Czech Republic		940,17	821,36	737,44	645,96	552,05	443,68
Denmark			1.988,12	1.800,73	1.584,48	1.481,75	1.405,88
Germany			19.805,23	18.701,19	17.607,57	17.220,50	16.943,18
Estonia			107,24	77,51	67,27	45,25	36,48
Ireland			1.028,61	934,22	789,77	744,29	635,51
Greece				673,20	685,30	635,10	554,61
Spain			11.634,83	11.319,97	9.798,74	7.633,63	6.694,69
France			14.641,94	14.108,39	14.601,61	16.698,04	15.905,82
Italy		9.927,90	9.941,74	9.938,94	9.098,85	9.576,95	
Cyprus			70,08	67,16	47,59	43,87	39,13
Latvia			67,17	62,71	42,80	25,42	20,14
Lithuania		84,83	84,83	95,66	78,02	73,88	66,33
Luxembourg			171,18	140,20	113,70	94,50	72,00
Hungary			453,45	390,71	328,51	367,42	
Malta			10,68	10,92	10,55	9,13	8,14
Netherlands	4.210,94	4.277,28	4.230,98	3.943,34	3.828,86	3.547,13	3.594,65
Austria		2.202,95	1.938,49	1.770,14	1.697,55	1.619,74	1.537,89
Poland			1.099,12	979,84	857,72	718,99	638,82
Portugal		1.845,91	1.701,31	1.272,07	1.115,60	1.082,00	915,50
Romania		330,02	557,32	462,55	323,56	173,58	103,51
Slovenia			202,80	180,19	173,35	166,82	160,45
Slovakia		196,40	178,71	116,07	120,25	107,83	101,99
Finland		1.899,73	1.797,96	1.739,56	1.694,30	1.614,13	1.535,13
Sweden		2.669,63	2.661,83	2.670,54	2.676,34	2.561,25	2.526,00
United Kingdom			11.717,43	13.429,73	12.942,22	12.306,67	12.269,91

Source:Eurostat, R&D Public Expenditure (GBOARD), 2004-2010

Table 34: Total government expenditure in R&D, % of GDP, based on Gboard classification, 2004-2010

Country	2010	2009	2008	2007	2006	2005	2004
European Union (27)			0,72	0,71	0,71	0,73	0,73
European Union (15)			0,75	0,74	0,73	0,76	0,75
Euro area (16 countries)			0,76	0,74	0,74	0,77	0,76
Belgium			0,59	0,60	0,61	0,59	0,59
Bulgaria			0,32	0,28	0,30	0,31	0,33
Czech Republic		0,68	0,56	0,58	0,57	0,55	0,50
Denmark			0,86	0,79	0,73	0,71	0,71
Germany			0,79	0,77	0,76	0,77	0,77
Estonia			0,67	0,50	0,51	0,40	0,38
Ireland			0,57	0,49	0,45	0,46	0,43
Greece				0,30	0,33	0,33	0,30
Spain			1,07	1,08	1,00	0,84	0,80
France			0,75	0,74	0,81	0,97	0,96
Italy		0,65	0,63	0,64	0,61	0,67	
Cyprus			0,41	0,43	0,32	0,32	0,31
Latvia			0,29	0,30	0,27	0,20	0,18
Lithuania		0,29	0,26	0,33	0,33	0,35	0,37
Luxembourg			0,44	0,37	0,33	0,31	0,26
Hungary			0,43	0,39	0,37	0,41	
Malta			0,19	0,20	0,21	0,19	0,18
Netherlands	0,72	0,73	0,71	0,69	0,71	0,69	0,73
Austria		0,80	0,69	0,65	0,66	0,67	0,66
Poland			0,30	0,32	0,32	0,29	0,31
Portugal		1,13	1,02	0,78	0,72	0,73	0,64
Romania		0,26	0,41	0,37	0,33	0,22	0,17
Slovenia			0,55	0,52	0,56	0,58	0,59
Slovakia		0,29	0,28	0,21	0,27	0,28	0,30
Finland		1,06	0,97	0,97	1,01	1,03	1,01
Sweden		0,92	0,81	0,81	0,85	0,87	0,88
United Kingdom		:	0,64	0,66	0,67	0,67	0,69

Source: Eurostat website, R&D Public Expenditure (GBOARD), % of GDP, 2004-2010

ANNEX 4: DATA ON PUBLIC EXPENDITURE IN EDUCATION

Table 35: Total public expenditure in education (in millions of euro), 2001-2006

Member State	2001	2002	2003	2004	2005	2006
European Union (27)	€ 476.002,3	€ 504.409,5	€ 516.766,6	€ 533.693,4	€ 554.630,4	€ 583.266,3
European Union (15)	€ 344.914,0	€ 357.474,7	€ 364.173,6	€ 372.542,8	€ 384.314,0	€ 404.063,9
Euro area (16 countries)	€ 343.895,7	€ 356.342,6	€ 362.899,1	€ 371.250,4	€ 382.762,1	€ 402.427,9
Belgium	€ 15.062,5	€ 16.162,4	€ 16.003,2	€ 16.304,9	€ 16.730,3	€ 17.697,1
Bulgaria	€ 1.724,8	€ 2.007,6	€ 2.221,6	€ 2.557,4	€ 2.700,9	€ 2.816,9
Czech Republic	€ 5.814,2	€ 6.361,1	€ 7.001,7	€ 7.249,3	€ 7.431,2	€ 8.654,9
Denmark	€ 11.428,8	€ 11.925,8	€ 11.554,6	€ 12.394,8	€ 12.503,6	€ 12.611,2
Germany	€ 85.199,1	€ 91.424,6	€ 93.790,1	€ 95.424,5	€ 98.198,6	€ 99.394,7
Estonia	€ 658,2	€ 761,4	€ 811,0	€ 827,1	€ 910,6	€ 995,7
Ireland	€ 4.316,6	€ 4.753,6	€ 5.102,3	€ 5.868,0	€ 6.380,8	€ 7.025,6
Greece	€ 6.555,6	€ 7.250,0	€ 7.530,0	€ 8.607,2	€ 9.264,3	
Spain	€ 33.460,6	€ 36.121,6	€ 37.595,0	€ 39.665,4	€ 42.083,4	€ 46.346,5
France	€ 83.172,2	€ 86.045,1	€ 84.771,7	€ 86.126,9	€ 88.403,4	€ 91.230,5
Italy	€ 64.544,6	€ 60.514,2	€ 62.710,1	€ 61.493,6	€ 61.180,9	€ 68.438,1
Cyprus	€ 748,1	€ 850,1	€ 970,5	€ 969,3	€ 1.072,3	€ 1.156,4
Latvia	€ 1.017,8	€ 1.127,0	€ 1.111,2	€ 1.159,5	€ 1.270,3	€ 1.440,0
Lithuania	€ 1.681,4	€ 1.829,8	€ 1.813,5	€ 1.949,2	€ 1.991,1	€ 2.156,0
Luxembourg	€ 765,7	€ 831,9	€ 873,1	€ 970,1	€ 1.005,6	€ 1.016,3
Hungary	€ 5.933,4	€ 6.861,7	€ 7.771,8	€ 7.503,9	€ 7.829,4	€ 8.190,6
Malta	€ 270,2	€ 282,1	€ 304,1	€ 323,1	€ 479,6	
Netherlands	€ 21.462,6	€ 22.687,1	€ 23.571,0	€ 24.841,6	€ 26.306,8	€ 27.602,7
Austria	€ 11.512,4	€ 11.949,2	€ 11.879,6	€ 12.384,4	€ 12.602,6	€ 13.235,1
Poland	€ 19.518,6	€ 20.449,5	€ 20.709,7	€ 22.625,6	€ 24.083,1	€ 24.770,9
Portugal	€ 8.822,1	€ 9.049,9	€ 9.236,5	€ 8.965,3	€ 9.846,4	€ 10.023,5
Romania	€ 4.006,7	€ 4.604,3	€ 4.859,7	€ 5.249,4	€ 5.910,2	
Slovenia	€ 1.850,1	€ 1.940,7	€ 2.007,9	€ 2.151,5	€ 2.254,5	€ 2.381,0
Slovakia	€ 2.226,8	€ 2.566,8	€ 2.659,7	€ 2.787,4	€ 2.809,2	€ 3.070,3
Finland	€ 7.171,6	€ 7.612,3	€ 7.828,7	€ 8.447,1	€ 8.504,4	€ 8.772,5
Sweden	€ 15.221,7	€ 16.446,0	€ 16.625,3	€ 17.453,9	€ 17.031,9	€ 17.852,6
United Kingdom	€ 61.856,0	€ 71.993,8	€ 75.453,3	€ 79.393,2	€ 85.844,8	€ 90.732,9

Source: Eurostat/ UNESCO statistics on education

Table 36: Public expenditure in education, % of GDP, 2001-2006

Country	2001	2002	2003	2004	2005	2006
European Union (27)	4,99	5,10	5,14	5,06	5,04	5,04
Euro area (16 countries)	4,98	5,00	5,03	4,95	4,88	4,88
Belgium	6,00	6,11	6,05	5,99	5,95	6,00
Bulgaria	3,78	4,03	4,23	4,51	4,51	4,24
Czech Republic	4,09	4,32	4,51	4,37	4,26	4,61
Denmark	8,44	8,44	8,33	8,43	8,30	7,98
Germany	4,49	4,70	4,70	4,59	4,53	4,40
Estonia	5,28	5,48	5,31	4,94	4,92	4,80
Ireland	4,27	4,29	4,39	4,70	4,75	4,74
Greece	3,50	3,57	3,58	3,82	4,00	
Spain	4,23	4,25	4,28	4,25	4,23	4,28
France	5,94	5,88	5,90	5,79	5,65	5,58
Italy	4,86	4,62	4,74	4,58	4,43	4,73
Cyprus	5,93	6,55	7,29	6,70	6,92	7,02
Latvia	5,64	5,71	5,32	5,07	5,06	5,07
Lithuania	5,89	5,84	5,16	5,19	4,90	4,84
Luxembourg	3,74	3,79	3,77	3,86	3,78	3,41
Hungary	5,01	5,38	5,86	5,43	5,46	5,41
Malta	4,46	4,38	4,70	4,82	6,76	
Netherlands	5,06	5,15	5,42	5,46	5,48	5,46
Austria	5,79	5,72	5,57	5,52	5,46	5,44
Poland	5,42	5,41	5,35	5,41	5,47	5,25
Portugal	5,61	5,54	5,57	5,29	5,39	5,25
Romania	3,25	3,51	3,45	3,28	3,48	
Slovenia	5,89	5,78	5,82	5,76	5,74	5,72
Slovakia	4,00	4,30	4,30	4,19	3,85	3,79
Finland	6,04	6,21	6,42	6,42	6,32	6,14
Sweden	7,12	7,43	7,30	7,18	6,97	6,85
United Kingdom	4,57	5,11	5,24	5,16	5,37	5,48

Source: Eurostat / UNESCO statistics on education (ISCED)

ANNEX 5: DATA ON PUBLIC EXPENDITURE IN SOCIAL POLICY

Table 37: Data on public expenditure on social protection, % of GDP, COFOG category 'social protection', 2002-2007

Country	2002	2003	2004	2005	2006	2007
European Union (27)	18,6	18,9	18,7	18,6	18,3	17,9
European Union (15)	18,6	18,9	18,8	18,7	18,3	18,0
Euro area (16 countries)	19,2	19,5	19,3	19,3	19,0	18,7
Belgium	17,4	17,8	17,7	17,6	17,2	17,1
Bulgaria	14,4	13,5	11,3	11,1	12,2	13,1
Czech Republic	14,6	14,4	13,0	12,8	12,7	12,9
Denmark	22,6	23,6	23,3	22,6	22,0	21,7
Germany	22,3	22,7	22,2	22,2	21,3	20,3
Estonia	9,9	9,9	10,2	9,8	9,5	9,6
Ireland	8,7	8,8	9,2	9,3	9,7	10,1
Greece	17,4	17,7	17,3	17,9	18,1	18,7
Spain	13,0	12,9	13,0	12,9	12,9	13,0
France	21,4	21,9	22,2	22,3	22,3	22,2
Italy	17,7	18,0	18,0	18,1	18,1	18,2
Cyprus	8,7	9,5	10,0	10,7	10,4	9,9
Latvia	11,5	10,7	10,4	9,8	9,5	8,4
Lithuania	10,8	10,3	10,2	9,9	9,9	11,0
Luxembourg	17,2	17,7	17,7	17,3	16,3	15,3
Hungary	15,3	16,0	15,9	17,0	17,6	17,4
Malta	13,9	14,2	14,2	14,1	13,9	14,1
Netherlands	17,1	17,4	17,2	16,5	16,2	16,0
Austria	21,2	21,4	21,0	20,7	20,3	19,9
Poland	18,3	18,8	17,6	17,0	16,9	15,6
Portugal	13,5	14,6	15,1	15,7	15,9	17,5
Romania	10,4	9,3	9,6	9,8	9,7	9,8
Slovenia	17,0	17,0	17,4	17,3	16,8	15,5
Slovakia	14,9	16,3	12,1	13,2	12,4	10,6
Finland	20,6	21,2	21,1	21,1	20,4	19,9
Sweden	23,4	24,3	23,9	23,4	22,7	21,6
United Kingdom	15,3	15,5	15,6	15,8	15,4	15,3

Source: Eurostat, Social protection COFOG expenditure, 2002-2007

ANNEX 6: DATA ON PUBLIC EXPENDITURE IN HUMANITARIAN AID

Table 38: Total official humanitarian assistance expenditure in constant (2002-2007) US$ million (1)

	2002	2003	2004	2005	2006	2007	2008	%2002-2007
Austria	**24,34**	**31,36**	**39,84**	**73,71**	**63,26**	**53,16**		**118,43%**
- bilateral	3,04	3,22	7,77	29,99	18,84	14,91	13,83	390,46%
- multilateral (UN agencies)	3,92	2,67	2,07	2,08	3,00	3,23		-17,54%
- multilateral (EC)	17,38	25,47	30,01	41,64	41,41	35,02		101,52%
Belgium	**89,55**	**89,22**	**123,19**	**147,96**	**168,66**	**156,29**		**74,53%**
- bilateral	46,06	41,73	69,02	75,75	96,51	92,33	112,11	100,46%
- multilateral (UN agencies)	5,59	4,09	3,28	2,37	3,11	2,98		-46,69%
- multilateral (EC)	37,90	43,40	50,89	69,84	69,04	60,98		60,90%
Denmark	**143,05**	**164,26**	**149,82**	**287,56**	**277,91**	**250,09**		**74,83%**
- bilateral	0,00	15,07	11,34	177,54	167,57	139,83	154,84	
- multilateral (UN agencies)	123,28	126,89	111,48	73,25	72,25	78,32		-36,47%
- multilateral (EC)	19,77	22,30	27,00	36,77	38,09	31,93		61,57%
Finland	**84,22**	**83,27**	**77,19**	**133,30**	**138,92**	**142,75**		**69,51%**
- bilateral	48,09	43,95	38,94	85,51	78,92	105,42	87,33	119,21%
- multilateral (UN agencies)	25,30	23,38	19,19	21,33	32,91	13,69		-45,89%
- multilateral (EC)	10,83	15,94	19,07	26,46	27,09	23,64		118,37%
France	**272,03**	**259,22**	**331,92**	**392,18**	**427,83**	**359,67**		**32,22%**
- bilateral	17,26	41,26	22,65	32,31	53,56	35,31	19,66	104,58%
- multilateral (UN agencies)	22,30	18,19	26,37	15,20	33,20	34,74		55,83%
- multilateral (EC)	232,47	199,77	282,90	344,67	341,07	289,61		24,58%
Germany	**552,96**	**478,08**	**526,90**	**776,15**	**782,45**	**617,59**		**11,69%**
- bilateral	287,30	197,91	217,33	357,01	397,02	278,68	327,54	-3,00%
- multilateral (UN agencies)	49,70	46,59	34,88	10,11	9,53	9,55		-80,78%
- multilateral (EC)	215,96	233,58	274,69	409,03	375,90	329,36		52,51%
Greece	**32,42**	**30,23**	**36,61**	**52,15**	**52,12**	**43,53**		**34,24%**
- bilateral	6,74	10,28	12,56	19,99	21,58	12,67	15,76	87,98%
- multilateral (UN agencies)	1,66	1,58	1,69	1,78	1,57	1,56		-6,02%
- multilateral (EC)	24,02	18,37	22,36	30,38	28,97	29,30		21,95%
Ireland	**52,85**	**59,18**	**70,01**	**112,19**	**135,77**	**235,13**		**344,87%**
- bilateral	25,88	33,37	42,61	73,84	96,39	190,24	157,52	635,09%
- multilateral (UN agencies)	15,47	14,60	13,33	17,10	18,17	27,01		74,56%
- multilateral (EC)	11,50	11,21	14,07	21,25	21,21	17,88		55,49%

Source: OECD-DAC, Development and Humanitarian Aid database, most recent data

Table 39: Total official humanitarian assistance expenditure in constant (2002-2007) US$ million (2)

Italy	**332,17**	**255,91**	**303,26**	**352,53**	**336,50**	**339,92**	**0,00**	**2,33%**
- bilateral	133,96	59,78	87,44	76,33	82,58	83,06	76,62	-38,00%
- multilateral (UN agencies)	58,66	52,34	37,36	38,39	22,78	56,18		-4,23%
- multilateral (EC)	139,56	143,79	178,45	237,81	231,14	200,69		43,80%
Luxembourg	**27,17**	**27,02**	**34,41**	**33,52**	**49,45**	**45,92**		**68,97%**
- bilateral	22,02	20,00	27,35	19,18	41,24	30,49	39,38	38,47%
- multilateral (UN agencies)	2,37	3,95	3,85	9,54	3,97	10,95		362,03%
- multilateral (EC)	2,78	3,07	3,21	4,80	4,24	4,48		60,74%
Netherlands	**372,46**	**303,14**	**415,40**	**619,89**	**618,87**	**520,57**		**39,77%**
- bilateral	204,04	172,30	256,62	464,55	439,34	338,72	287,57	66,01%
- multilateral (UN agencies)	131,21	76,91	101,41	74,50	104,21	105,47		-19,62%
- multilateral (EC)	37,21	53,93	57,37	80,84	75,32	76,39		105,28%
Portugal	**17,35**	**16,06**	**39,05**	**39,63**	**30,45**	**21,44**		**23,58%**
- bilateral	2,83	1,63	21,12	14,69	7,88	0,69	1,10	-75,62%
- multilateral (UN agencies)	0,82	0,67	0,64	0,45	0,57	1,76		114,76%
- multilateral (EC)	13,70	13,76	17,29	24,49	22,01	18,99		38,62%
Spain	**126,33**	**193,90**	**204,06**	**298,95**	**348,33**	**370,35**		**193,16%**
- bilateral	31,59	95,87	94,85	135,26	154,65	225,46	266,37	613,71%
- multilateral (UN agencies)	12,64	12,43	9,69	11,24	42,74	19,71		56,01%
- multilateral (EC)	82,11	85,60	99,52	152,44	150,94	125,18		52,46%
Sweden	**359,43**	**388,08**	**327,66**	**498,51**	**537,78**	**511,81**		**42,40%**
- bilateral	254,82	248,94	235,48	302,03	331,24	307,62	348,85	20,72%
- multilateral (UN agencies)	90,08	121,12	59,00	158,93	163,04	162,19		80,05%
- multilateral (EC)	14,53	18,02	33,17	37,55	43,50	42,00		189,14%
United Kingdom	**872,98**	**1.032,73**	**934,02**	**1.046,97**	**1.289,49**	**976,39**		**11,84%**
- bilateral	608,55	766,18	616,00	730,32	933,65	351,55	709,98	-42,23%
ldditional bilateral through CRS						233,47		
- multilateral (UN agencies)	106,65	97,78	86,29	83,12	80,03	103,49		-2,97%
- multilateral (EC)	157,78	168,77	231,73	233,53	275,81	287,89		82,46%
EC	**1.017,48**	**1.057,76**	**1.361,49**	**1.764,04**	**1.761,85**	**1.584,53**		**55,73%**
- bilateral	819,99	907,43	1.124,51	1.339,66	1.523,78	1.498,70	1.717,10	82,77%
- UN (multilateral)	197,49	150,33	236,98	424,38	238,07	85,83		-56,54%
- of which non-DAC EU	0,00	0,78	19,76	12,55	16,11	11,20		

Source: OECD-DAC, Development and Humanitarian Aid database, most recent data

EUROPEAN PARLIAMENT

CATALOGUE BA-30-10-363-EN-C

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D
BUDGETARY AFFAIRS

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

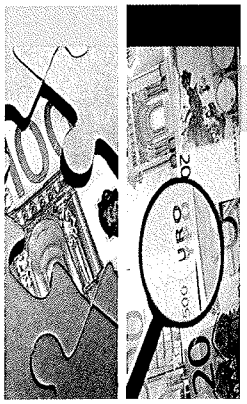
Policy Areas

- Budgets
- Budgetary Control

Documents

Visit the European Parliament website: **http://www.europarl.europa.eu/studies**

PHOTO CREDIT: IStock International Inc.; Shutterstock



ISBN 978-92-823-3215-3
doi: 10.2861/13725

Publications Office

EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D
BUDGETARY AFFAIRS



Budgets

Budgetary Control

EU Budget Support for Research and Innovation

STUDY

EN

2012

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D: BUDGETARY AFFAIRS

EU Budget Support for Research and Innovation

STUDY

Abstract

The aim of the Common Strategic Framework (CSF) is to improve the efficiency of research and innovation funding at national and EU levels, primarily by bringing together, within a single unitary framework, the three main existing sources of funding for research and innovation – the FP7, the CIP and the EIT initiatives. The current study aims to provide a set of specific recommendations focused on reinforcing, streamlining, simplifying and synchronising the complementarity of all the above-mentioned instruments in one programme, while also paying attention to synergies with national programmes and other related policies and bodies.

11/06//2012

PE 453.234

EN

This document was requested by the European Parliament's Committee Budget. It designated Mr Carl Haglund (MEP) to follow the study.

AUTHOR(S)

PricewaterhouseCoopers Enterprise Advisory scrl, Belgium
PricewaterhouseCoopers Advisory N.V., The Netherlands

RESPONSIBLE ADMINISTRATOR

Mr Jean-Jacques Gay
Policy Department on Budgetary Affairs
European Parliament
B-1047 Brussels
E-mail: poldep-budg@europarl.europa.eu

LINGUISTIC VERSIONS

Original: EN
Translation of the executive summaries: FR, DE

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its newsletter please write to:
poldep-budg@europarl.europa.eu

Manuscript completed in February 2012.
Brussels, © European Union, 2012.

This document is available on the Internet at:
http://www.europarl.europa.eu/studies

DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

CONTENTS

CONTENTS 3
LIST OF ABBREVIATIONS 6
LIST OF TABLES 9
LIST OF FIGURES 9
EXECUTIVE SUMMARY 11
RÉSUMÉ 16
ZUSAMMENFASSUNG 21
1. INTRODUCTION 27
1.1. OBJECTIVES 27
1.2. METHODOLOGY 29
1.2.1. Phase 1: Structuring 29
1.2.2. Phase 2: Data gathering and analysis 29
1.2.3. Phase 3: Data validation 29
1.2.4. Phase 4: Judgement 29
1.3. REPORT STRUCTURE 30
2. RQ1: MAXIMISING SYNERGIES BETWEEN EU AND NATIONAL RDI PROGRAMMES 31
2.1. RATIONALE 31
2.2. KEY CHALLENGES 32
2.2.1 Maximising the benefit of acting at the EU level 32
2.2.2. Leveraging other sources of funding 33
2.2.3 Pooling Member States' resources through Joint Programming Initiatives 38
2.2.4 Assisting Member States in building up excellence 41
2.3 RECOMMENDATIONS 42
3. RQ2: IDENTIFYING AND ASSESSING DIFFERENT INSTRUMENTS PROVIDING BUDGET SUPPORT TO INNOVATION AND RESEARCH 44
3.1. RATIONALE 44
3.2. KEY Findings 46
3.2.1. FP7 Achievements & challenges 46
3.2.2. FP 7-Euratom Achievements & challenges 49
3.2.3. CIP Achievements & challenges 50
3.2.4. EIT Achievements & challenges 52
3.3. RECOMMENDATIONS 56
4. RQ3: IMPROVING THE COORDINATION AND INTERACTION OF EU RDI FUNDING INSTRUMENTS 59
4.1. RATIONALE 59

4.2. KEY CHALLENGES 60
4.2.1. How can the current set of RDI funding schemes and instruments be rationalised? 60
4.2.2. How can the governance structure for funding instruments be simplified to ensure increased policy coherence? 63
4.3. RECOMMENDATIONS 65
5. RQ4: IMPROVING THE ROLE OF THE EIB IN SUPPORTING INNOVATION-RELATED BUDGETARY EFFORTS 69
5.1. RATIONALE 69
5.2. KEY CHALLENGES 71
5.2.1. Improving the role of the EIB/EIF in supporting access to debt finance for R&I-based companies 71
5.2.2. Increasing the use of risk-sharing mechanisms to permit a higher leverage of EU resources 74
5.2.3. Improving the role of the EIB/EIF in supporting access to equity for R&I-based SMEs 75
5.2.4. Improving the coherence and efficiency of existing instruments: The role of the debt and equity platforms 77
5.3. RECOMMENDATIONS 78
6. RQ5: SUPPORTING MARKETISATION OF IDEAS AND PROMOTION OF NEW PRODUCTS AND SERVICES 81
6.1. RATIONALE 81
6.2. KEY CHALLENGES 82
6.2.1. Covering full innovation cycle from research to market uptake 82
6.2.2. Taking into account broad nature of innovation 83
6.2.3. Strengthening industrial participation 84
6.2.4. Supporting public-private partnerships 85
6.2.5. Enhancing the role of European Technology Platforms 86
6.2.6. Developing open and fast implementation schemes for SMEs 87
6.2.7. Introducing new approaches to supporting research and innovation 88
6.2.8. Advancing Intellectual Property Rights 89
6.3. RECOMMENDATIONS 90
7. RQ6: DEVELOPING SUGGESTIONS FOR SIMPLIFYING THE RULES FOR PARTICIPATION IN THE CSF 93
7.1. RATIONALE 93
7.2. KEY CHALLENGES 94
7.2.1. Simplification measures that have already been undertaken 94
7.2.2. Roles of the various stakeholders in further simplification 95
7.2.3. 'Trust' versus 'control as the main barrier 96
7.2.4. A project-cycle approach to simplification 98
7.3. Recommendations 99
8. SYNTHESIS OF STUDY RESULTS 101
8.1. EU POLICYMAKERS 101
8.1.1. Covering the innovation cycle in stages 101
8.1.2. Simplification for beneficiaries 101

8.1.3. Critically assessing effectiveness 101
8.1.4. Synergy between European funds 102
8.1.5. Synergy with Member States' RDI funds 102
8.2. NATIONAL AND REGIONAL POLICYMAKERS 102
8.3. ACADEMICS 103
8.4. LARGE FIRMS 103
8.5. SMEs 104
8.6. Financial institutions and related instruments 104
8.7 Cluster initiatives 106
9. ANNEX 1 LIST OF INTERVIEWEES 107
10. ANNEX 2 REFERENCES 108

LIST OF ABBREVIATIONS

BA	Business Angel
CAP	Community Agricultural Policy
CATRENE	Cluster for Application and Technology Research in Europe
CIP	Competitiveness and Innovation Framework Programme
CF	Cohesion Fund
COM	Communication of the European Commission
CP	Collaborative Projects
CSF	Common Strategic Framework
CSFCP	Common Strategic Framework for Cohesion Policy
CSFRI	Common Strategic Framework for Research and Innovation
DG	Directorate General of the European Commission
DG AGRI	DG for the Common Agricultural Policy
DG DIGIT	DG for Informatics
DG EAC	DG for Education and Culture
DG ECFIN	DG for Economic and Financial affairs
DG EMPL	DG for Employment, Social Affairs & Inclusion
DG ENER	DG Energy
DG ENTR	DG Enterprise and Industry
DG ENV	DG Environment
DG FISH	DG for Maritime Affairs and Fisheries
DG INFSO	DG Information Society and Media
DG MOVE	DG Mobility and Transport
DG RTD	DG Research and Innovation
DG REGIO	DG Regional Policy
EAFRD	European Agricultural Fund for Rural Development
EBAN	European Trade Association for Business Angels, Seed Funds and other Early Stage Market Players
EC	European Commission
EEN	Entreprise Europe Network
EFF	European Fisheries Fund
EIB	European Investment Bank
EIF	European Investment Fund
EIT	European Institute of Innovation and Technology

ENPI	European Neighbourhood and Partnership Instrument
EORI	Europe's Intergovernmental Research Organisations
EP	European Parliament
EPO	European Patent Office
ERA	European Research Area
ERA-NET	European Research Area Net
ERAB	European Research Area Board
ERAC	European Research Area Committee
ERC	European Research Council
ERDF	European Regional Development Fund
ESF	European Social Fund
ESFRI	European Strategy Forum for Research Infrastructures
ETF	European Technology Platform
EU	European Union
EUROCORES	European Science Foundation Collaborative Research Programmes Scheme
FP	Framework Programme
GIF	Growth and Innovation Facility
HF	Holding Fund
ICT	Information and Communication Technology
ICT-PSP	ICT Policy Support Programme
IEE	Intelligent Energy Europe
IFI	International Financial Institution
IP	Intellectual Property
IPA	Instrument for Pre-Accession Assistance
IPR	Intellectual Property Rights
IT	Information Technology
ITER	International Thermonuclear Experimental Reactor
JASMINE	Joint Action to Support Micro Finance Institutions in Europe
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
JET	Joint European Torus
JPI	Joint Programming Initiative
JTI	Joint Technology Initiative

JU	Joint Undertaking
KET	Key Enabling Technologies
KfW	Kreditanstalt für Wiederaufbau
KIC	Knowledge and Innovation Community
LLP	Life-long Learning Programme
MA	Managing Authority
MS	Member State
NCP	National Contact Point
OHIM	Office for Harmonisation in the Internal Market
PPP	Public-Private Partnership
R&D	Research and Development
RCM	Risk Capital Mandate
RDI	Research, Development and Innovation
REGPOT	Research Potential
RoK	Regions of Knowledge
RQ	Research Question
RSFF	Risk Sharing Finance Facility
RSI	Risk Sharing Instrument for SMEs and Smaller Mid-caps
RTD	Research, Technological Development and Demonstration
SEG	Synergies Expert Group
SME	Small and Medium-Sized Enterprise
SMEG	Small and Medium-Sized Enterprise Guarantee Facility
SRA	Strategic Research Agenda
TTG	Time to Grant
TTO	Technology Transfer Office
UEAPME	European Association of Craft, Small and Medium-sized Enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization
URF	Unique Registration Facility
US	United States
VC	Venture Capital
VCF	Venture Capital Funds
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

LIST OF TABLES

Table 2-1

Recommendations for the CSF on synergies between EU and national RDI programmes **42**

Table 3-1

Stakeholder consultation instruments **45**

Table 3-2

Recommendations to improve existing funding programmes **56**

Table 4-1

Recommendations for improving coordination and interaction of EU RDI funding instruments. **65**

Table 5-1

Recommendations for improving the role of the EIB in supporting innovation-related budgetary efforts. **79**

Table 6-1

Recommendations for the CSF on supporting the marketisation of ideas and promotion of new products and services **90**

Table 7-1

Various insights into the trust-based approach and their sources **97**

Table 7-2

Recommendations for simplifying the rules for participation in the CSF **99**

LIST OF FIGURES

Figure 2-1

Number of applicants and requested EC contribution in million Euros by Member State in retained FP7 proposals **33**

Figure 5-1

EIB & EIF Financing for Company Life Cycle **71**

EXECUTIVE SUMMARY

The aim of the Common Strategic Framework (CSF) is to improve the efficiency of research, development and innovation (RDI) funding at national and EU levels. The CSF implies bringing together the three main existing sources of funding for research and innovation – the FP7 (Seventh Framework Programme), the CIP (Competitiveness and Innovation Framework Programme) and the EIT (European Institute of Innovation and Technology) initiatives. The current study provides a set of specific recommendations focused on reinforcing, streamlining, simplifying and synchronising the complementarity of all the above-mentioned instruments in one programme, while also paying attention to synergies with national programmes and other related policies and bodies.

For the execution of this study, a multi-dimensional approach was followed based on a synergetic mix of methods, perspectives, and tools. The key sources of information used in desk-research included reports on the evaluation of European and national innovation policies and programmes; policy analyses from EU institutions; relevant reports from industry associations and results of Public Consultation on Horizon 2020; Commission's proposal to revise the Financial Regulation; as well as studies on knowledge transfer, commercialisation and intellectual property (IP) policy. For validation purposes, in-depth interviews were conducted with a select group of key stakeholders including Commission officials, representatives of the European Investment Bank Group, academics and industry representatives. The study is built around six Research Questions (RQs).

RQ1: Maximising synergies between EU and national RDI programmes

Focus on excellence instead of equal performance across Member States has been a long-standing cornerstone of the EU RDI policy. Within the CSF, efforts should be directed at maximising the societal impact of those EU funds, both through their direct effects on excellent research and through their indirect effects on leveraging other funds and creating spin-offs.

As a second step, synergies between EU RDI funds and national funds should be maximised to achieve the challenging goals that have been set. To achieve this, Member States' funding agencies could use ERC evaluations of research proposals as a benchmark for selecting high-quality projects that are in line with EU strategic RDI objectives. What's more, sources of EU funding should be aligned to foster innovation, including Structural Funds and Cohesion Funds. When aligned properly with the focus on innovative solutions and excellence, these funds could drive "smart specialisation" in regions and clusters.

Innovative procurement at the Member State (MS) level should further be aligned with EU Strategic Research Agendas (SRAs) for each industry. If no SRA is available for a specific industry, one should be compiled to direct innovative procurement efforts.

Finally, joint programming should be targeted at sectors or areas that are currently fragmented in Europe. Areas where coordination is already high have relatively easy access to existing European funds.

RQ2: Identifying and assessing different instruments providing budget support to innovation and research

The three key sources of funding for research and innovation at EU level currently include the FP7, the CIP and the EIT initiatives. FP7 has succeeded in its goal of promoting excellence, attracting tens of thousands of first class EU and international researchers to participate in thousands of top-level, mixed (industry, universities, research institutes), cross-border projects, many of which would have been postponed, scaled down or even abandoned had EU financing not been available. However, the FP should pay more attention to the production of project outputs and to their dissemination and economic valorisation. Additionally, the FP7 lacks a transparent, clear and robust intervention logic. The complexity of the FP continues to deter researchers and acts as a limit to industry participation, in

particular for small businesses, which are more easily discouraged by complex procedures and contract delays.

The CIP is perceived to have played an important role in increased innovation by small and medium enterprises (SMEs) thanks to its strong business and market orientation. There is wide-ranging consensus that the subjects covered by the current pillars of the CIP are of crucial importance and have cross-cutting relevance, such as ICT, energy efficiency and eco-innovation. A point of remark is that the appropriate allocation of the different parts of the CIP needs further consideration as the CIP suffers from its very design as an agglomeration of a multitude of actions and programmes.

The EIT has made significant steps in integrating the "knowledge triangle" in the European research and innovation landscape but, at this early stage of the EIT's development, it remains difficult to evaluate the exact impact of EIT and KIC (Knowledge and Innovation Communities) activities. The EIT has, until now, concentrated on developing itself and the KICs. For the period 2011-2014, the EIT should focus on consolidation and delivery of identifiable results.

RQ3: Improving the coordination and interaction of EU RDI funding instruments

Coordination among the three "knowledge triangle" policies is weak since research, innovation and education policies are covered by three separate programmes and initiatives whose objectives are not fully aligned. The lack of clarity of focus is also apparent at the level of individual programmes. The FP, for instance, covers a plethora of general higher-level EU objectives and is fragmented into 10 comparatively stand-alone thematic priorities.[1]

Secondly, the broader horizontal policy coordination between these "knowledge triangle" policies and other policies is weak. Indeed, the links between the FP, the CIP and the EIT, on the one hand, and cohesion funding and other policies (mobility, energy, agriculture, etc.), on the other hand, are under-developed, thus impeding the valorisation of research results into new products, processes and services.[2]

To strengthen linkages between research, innovation and education policies and broader EU policies, it is important to ensure that the priorities set in the future Cohesion Framework are consistent with those set in the future Research and Innovation Framework, namely by ensuring the excellence concept is present in the research and innovation oriented parts of the future Cohesion Framework, with a view to supporting capacity-building efforts and providing convergence regions with a "staircase to excellence". Furthermore, the co-funding of projects through Structural Funds and other EU funding sources should be made possible.

On top of this, a more coherent and interacting governance structure is needed, with improved communication both at EU level (among the responsible Directorate Generals) and, in particular, at national and regional levels, among authorities and support structures. This can namely be achieved through partnership contracts.

RQ4: Improving the role of the EIB in supporting innovation-related budgetary efforts

EU level financial instruments must target all types of innovative companies, from SMEs and smaller mid-caps to larger and corporate enterprises. They should also be extended to support public research and open innovation activities between corporations, research institutes and SMEs, including research and development infrastructure projects, taking into account the different needs and aspects in terms of risk evaluation and public debt management.

Furthermore, financial support should address different layers of capital structures, providing for both hybrid and debt financing solutions, as well as equity. To this end, the new "Risk-Sharing Instrument for SMEs and Smaller Mid-caps" (RSI) – a guarantee facility to help innovative SMEs to access finance

[1] *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*, 2011, p.18

[2] *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*, 2011, 52 pp.

from banks – should be closely monitored as a pilot scheme for the next programming period. Support for venture capital (VC) must also be pursued and reinforced with a view to retaining declining traditional investor classes, while also attracting new investors, such as business angels and corporate investors, both through a regulatory approach that seeks to reduce fragmentation of the European venture capital market and through specific schemes that promote co-investment with institutional and non-institutional investors.

In terms of design, financial instruments must be as flexible as possible, to ensure sufficient reactivity to evolving market needs. They must also seek to maximise the impact of the EU budget, namely by enabling the reuse of reflows and unused budgets from predecessor programmes. A simplification of budgetary processes, reflecting a reasonable balance between specific European Commission (EC) financial control requirements and reporting obligations, on the one hand, and market conditions, on the other hand, would help to ensure flexibility and impact and would also reinforce the EC's ability to partner up with private partners.

A simplification of the financial instrument landscape should also be achieved by building on existing successful instruments rather than developing new instruments, and by ensuring that all initiatives (both central and regional) are complementary. Lastly, without prejudice to the central role that the EIB Group already plays and will continue to play in the design and management of financial instruments, it is in the EU budget interest to pool resources and financial expertise from all financial institutions (international financial institutions (IFIs) and public national financial institutions) in the implementation of EU and national/regional financial instruments.

RQ5: Supporting marketisation of ideas and promotion of new products and services

To effectively support the marketisation of ideas, the CSF should cover the whole research and innovation cycle. The funded projects should provide realistic exploitation plans focussing on activities related to piloting/proof-of-concept, testing and validation. The requirements for the exploitation plans should be tailored to the nature of technologies in question. A phased approach is desirable implying several stages of funding and involvement of different types of partners at different stages of the innovation cycle.

Industrial participation in the CSF could be strengthened, among others, by making cost accounting and reporting more flexible by introducing only the main elements of the reporting structure and leaving the last choice of model to the companies; by making application and approval process faster so that the project can start at the latest six months after the submission deadline; by building on the trust-based approach; and by creating more budget clarity by clearly dedicating available funding annually to the specific thematic priorities.

Public Private Partnerships (PPPs) prove to be an efficient instrument to increase industrial participation and commitment and should be supported in the future. PPPs should have clearly defined targets and measurable expected impacts. They should also be kept flexible and efficient, while clarifying the roles of both the private and public parties.

A closer cooperation between European Technology Platforms (ETPs) should be encouraged where appropriate such as for societal challenges. Additionally, public procurement is suggested to be the strategic innovation driver and a tool for the implementation of new technologies. Public procurement is seen as a way though which the public sector leads by example, making sure that the latest technologies can be developed. Finally, today's fragmented patent system in the EU should be replaced by an EU-wide patent system, thereby facilitating a more cost-efficient and effective protection of Intellectual Property.

RQ6: Developing suggestions for simplifying the rules for participation in the CSF

The CSF offers clear possibilities for administrative simplification through the development of a more standardised set of rules covering all participants in EU research and innovation programmes.

Compared to its predecessors, FP7 brought about a number of widely acknowledged simplifications. These concrete measures have already led to a reduction of time-to-grant and of the administrative effort for managing projects. However access to the programmes and preparation of proposals are still too difficult, in particular for newcomers. The administrative burden for project administration and accounting is perceived as too high and time-to-grant and time-to-pay are still too long. The possibilities for further simplification as presented by the Commission are structured in three main strands: a first strand with the improvements and simplifications that the Commission will implement under the current legal and regulatory framework (short term), a second strand with changes to the rules but still under the current cost-based model, and a third strand suggesting more far-reaching changes towards a result-based funding using lump sums.

One of the main barriers to change is the question of trust (vs. control) for funding research projects, which is discussed increasingly in relation to the topic of simplification. The Commission relies on a comprehensive control strategy. The implementation of this control strategy has exacerbated the perceived complexity of EU research grant requirements and may discourage researchers and industry from participating in the community research funding programmes. Until profound simplification of the research funding rules take effect, the implementation of a research-specific tolerable risk of error (TRE) would permit the Commission to review its control strategy. The purpose of this concept is to ensure a proper balance between controls and policy effectiveness. An important success factor of the further simplification measures will be the way their implementation is managed.

Synthesis

The abovementioned challenges and recommendations reflect the needs of specific stakeholder groups, namely EU, national and regional policymakers, academics, large firms and SMEs, and financial institutions.

For the EU policymakers, the key areas of improvement refer to covering the whole innovation cycle in stages, increasing transparency and reducing the administrative burden for the beneficiaries, critically assessing programme effectiveness, as well as achieving synergy between various European funds and with Member States' RDI funds. Specific measures include, for example, reducing the number of audits of project finances, thus converting to a "trust-based approach", as well as reducing the number of funding schemes and cost models and publishing "deadline-free calls" that allow applicants to submit proposals throughout the year.

National and regional policymakers should aim to remove any obstacles such as legal limitations and diverging administrative procedures when participating in joint programming initiatives (JPIs); making clear choices and encouraging focus in the context of smart specialisation approach; as well as accepting full responsibility for the excellence in education.

Academics demonstrate a clear need for a consistent multi-year programmatic approach that would cover all stages of the innovation cycle, from basic research and development to the competitive market. Additionally, the dominance of industry in the control of intellectual property rights coming from joint technology initiatives (JTIs) should be addressed as it has led to many disputes, often making the programme unattractive for potential non-industrial participation.

For the more active involvement of large companies in the CSF, stronger knowledge transfer mechanisms and European innovation partnerships are called for to bridge the gap with demand-side measures. Issues with Intellectual Property rights, in particular, in projects involving competing companies need to be addressed.

Re-instating the sub-contractor or associate partner status of SMEs in the CSF, as it was used in FP6, is suggested to bring considerable advantages for SMEs and the other consortium partners. Excessive time-to-grant is a major challenge for SMEs in the present programmes. Deadline-free calls and smaller consortium sizes could help in addressing this challenge. Radical simplification of governance, procedures and administration is at least as important for SMEs as for other beneficiaries.

With regard to financial institutions, existing risk-sharing mechanisms should be scaled up to also cover the grand challenges of Europe, in areas such as commercialisation of research, key enabling technologies, climate change, energy saving, demography (ageing), but also social cohesion. New mechanisms will have to be developed to stretch available resources even further in these difficult public funding times, namely by evolving towards a revolving fund system. The EC and the EIB should also take the necessary steps to enhance collaboration with third party financial institutions. An important challenge will be to bring the highly fragmented European VC ecosystem to critical mass and coherence, establish and develop European market standards and support cross-border and pan-European cooperation between national and regional actors.

RÉSUMÉ

Le Cadre stratégique commun (CSC) vise à améliorer l'efficacité du financement de la recherche et de l'innovation aux niveaux national et européen en réunissant les trois principales sources existantes de financement, à savoir, les initiatives du FP7 (Septième Programme Cadre), du CIP (Programme-cadre pour la compétitivité et l'innovation) et de l'EIT (Institut Européen d'Innovation et de Technologie). La présente étude fournit un ensemble de recommandations axées sur le renforcement, la rationalisation, la simplification et l'amélioration de la complémentarité entre tous les instruments susmentionnés, en un seul programme, tout en accordant une attention aux synergies avec les programmes nationaux et d'autres politiques et organismes pertinents.

Pour la réalisation de cette étude, nous avons suivi une approche multidimensionnelle, fondée sur un mixte synergétique de méthodes, de perspectives et d'outils. Les principales sources utilisées comprennent des rapports d'évaluation de politiques et de programmes d'innovation européens et nationaux, des analyses des politiques des institutions de l'UE, des rapports pertinents d'associations professionnelles et des résultats de consultations publiques sur le programme « Horizon 2020 », de la proposition de la Commission de réviser la régulation financière, ainsi que des études sur le transfert des connaissances, la commercialisation et la politique de la propriété intellectuelle. Afin de valider l'étude, des interviews en profondeur ont été menées avec un groupe sélectionné d'acteurs clefs, en ce, compris des fonctionnaires de la Commission, des représentants du Groupe de la Banque Européenne d'Investissements, des représentants du monde académique et de l'industrie. L'étude est bâtie autour de six thèmes de recherche (« TR »).

TR1 : Maximiser les synergies entre l'UE et les programmes nationaux de RDI

L'accent sur l' « excellence » plutôt que sur une « performance égale » au sein des États membres est depuis de longue date, une pierre angulaire de la politique de la recherche, du développement et de l'innovation (« RDI ») de l'UE. Le CSC devra orienter ses efforts sur la maximisation de l'impact sociétal des fonds européens de RDI, en optimisant tant leurs effets directs sur la recherche excellente que leurs effets indirects (levée de fonds complémentaires et production de retombées dérivées).

Dans une seconde étape, les synergies entre les fonds de RDI européens et nationaux devront être maximisées. Pour y parvenir, les agences de financement des États membres pourraient notamment utiliser comme référence les évaluations des propositions de recherche réalisées par l'ERC (Conseil européen de la recherche) pour s'assurer la sélection de projets de haute qualité qui sont conformes aux objectifs stratégiques de RDI de l'UE. Qui plus est, les autres sources de financement de l'UE devraient être alignées sur les objectifs de RDI de l'UE, en ce compris les Fonds structurels et le Fonds de cohésion. En étant correctement alignés sur l'excellence et la recherche de solutions innovantes, ces fonds pourraient contribuer à l'objectif de « spécialisation intelligente » dans les régions et les pôles d'excellence régionaux (clusters).

Les marchés publics innovants des États membres devraient également être alignés sur les Agendas stratégiques de recherche (ASR) pour chaque secteur industriel. Si aucun ASR n'est disponible pour un secteur déterminé, il faudrait en développer afin d'orienter les marchés publics innovants.

Enfin, les initiatives de programmation conjointe devraient se concentrer prioritairement sur les secteurs ou domaines actuellement fragmentés en Europe. Les domaines où la coordination est déjà élevée ont un accès relativement facile aux fonds européens existants.

TR2 : Identifier et évaluer les différents instruments apportant un soutien budgétaire à l'innovation et à la recherche

Les trois sources principales de financement de la recherche et de l'innovation au niveau de l'UE sont actuellement les initiatives du FP7, du CIP et de l'EIT. Le FP7 a été efficace dans son objectif de promotion de l'excellence, en attirant des dizaines de milliers de chercheurs de premier rang européens et internationaux à participer à des milliers de projets de haut niveau, mixtes (industrie, universités, instituts de recherche) et transfrontaliers. Un grand nombre de ces projets auraient dû

être reportés, réduits ou même abandonnés si le financement de l'UE n'avait pas été présent. Néanmoins, le FP devrait accorder plus d'attention à la concrétisation de sa production, ainsi qu'à sa dissémination et sa valorisation économique. En outre, le FP7 manque d'une logique d'intervention transparente, claire et solide. La complexité du FP continue à dissuader certains chercheurs et agit comme un frein à la participation industrielle, en particulier pour les petites entreprises, qui sont plus facilement découragées par les procédures complexes et les délais contractuels.

Le CIP est perçu comme ayant joué un rôle important dans la stimulation de l'innovation des PME grâce à sa forte orientation sur l'entreprise et le marché. Il y a un large consensus pour dire que les sujets couverts par les piliers actuels du CIP sont essentiels et ont une pertinence à la croisée de plusieurs domaines, comme les TIC, la performance énergétique et l'éco-innovation. Toutefois, l'allocation des différents éléments du CIP nécessite une réflexion et le CIP souffre de sa conception résultant d'une agglomération d'une multitude d'actions et de programmes.

L'EIT a fait des pas significatifs du point de vue de l'intégration du « triangle de la connaissance » dans le paysage européen de la recherche et de l'innovation, mais à ce stade précoce du développement de l'EIT, il est difficile d'évaluer l'impact exact des activités de l'EIT et des KIC (Communautés de Connaissance et d'Innovation). Jusqu'à présent, l'EIT s'est concentré sur son propre développement et celui des KIC. Pour la période 2011-2014, l'EIT devrait se focaliser sur la consolidation et la fourniture de résultats identifiables.

TR3 : Améliorer la coordination et l'interaction des instruments de financement de RDI de l'UE

La coordination des trois politiques du « triangle de la connaissance » est faible vu que les politiques de la recherche, de l'innovation et de l'éducation font l'objet de trois programmes et initiatives distincts dont les objectifs ne sont pas entièrement alignés. Le manque d'objectifs clairement circonscrits apparaît aussi au niveau des programmes individuels. Le FP, par exemple, couvre une pléthore d'objectifs généraux de l'UE et est fragmenté en 10 thèmes prioritaires indépendants l'un de l'autre.[3]

Ensuite, la coordination horizontale plus large entre ces politiques du « triangle de la connaissance » et d'autres politiques est faible. En effet, les liens entre le FP, le CIP et l'EIT, d'une part, et le fonds de cohésion et d'autres politiques (mobilité, énergie, agriculture, etc.), d'autre part, sont sous-développés, empêchant par là la valorisation des résultats de recherche dans de nouveaux produits, processus et services.[4]

Pour renforcer les liens entre les politiques de la recherche, de l'innovation et de l'éducation, et les politiques plus larges de l'UE, il importe de s'assurer que l'ensemble des priorités dans le futur Cadre Stratégique pour la Cohésion soit cohérent avec celles du futur Cadre stratégique de la recherche et de l'innovation, en assurant notamment que le concept d'excellence soit présent dans les éléments axés sur la recherche et l'innovation du futur Cadre de cohésion. Ceci permettra de soutenir les efforts de renforcement des capacités dans les régions de convergence et de leur offrir ainsi une « échelle vers l'excellence ». En outre, le financement conjoint de projets devrait être rendu possible au travers des fonds structurels et d'autres sources de financement européennes.

De plus, une structure de gouvernance plus cohérente et interactive est requise, avec une meilleure communication tant au niveau de l'UE (entre les directions générales responsables) qu'aux niveaux national et régional, en particulier, au niveau des autorités et les structures de financement. Cela peut notamment être réalisé au travers de contrats de partenariats.

---

3 *Évaluation de l'impact accompagnant la Communication de la Commission 'Horizon 2020 – Programme-cadre de recherche et d'innovation*, 2011, p.18

4 *Évaluation de l'impact accompagnant la Communication de la Commission 'Horizon 2020 – Programme-cadre de recherche et d'innovation*, 2011, p.52

TR4 : Améliorer le rôle de la BEI dans le financement des efforts budgétaires relatifs à l'innovation

Les instruments financiers de l'UE doivent cibler tous types de sociétés innovantes, des PME et entreprises à plus faible capitalisation, jusqu'aux grandes entreprises. Ils devraient également être étendus au financement de la recherche publique et ouvrir des activités d' « open innovation » entre les grandes entreprises, les instituts de recherche et les PME, y compris le développement de projets d'infrastructure, en prenant en compte les différents besoins et aspects en termes d'évaluation des risques et de gestion de la dette publique.

De plus, le soutien financier devrait être adapté aux différentes structures de capital, procurant tant des solutions hybrides et de financement par la dette que du capital à risque. À cette fin, le nouveau « Risk-Sharing Instrument for SMEs and Smaller Mid-caps (RSI) » – un instrument de garantie pour faciliter l'accès des PME au financement bancaire – devra être suivi de près comme schéma pilote pour la prochaine période de programmation. Le financement du capital à risque doit aussi être poursuivi et renforcé en vue de retenir les catégories traditionnelles d'investisseurs en déclin, mais aussi d'attirer de nouveaux investisseurs, comme les « business angels » et les investisseurs institutionnels, tant à travers une approche réglementaire qui tend à réduire la fragmentation du marché du capital à risque européen que de schémas spécifiques qui promeuvent l'investissement conjoint d'investisseurs institutionnels et non institutionnels.

En termes de conception, les instruments financiers doivent être les plus flexibles possible, pour garantir une réactivité suffisante à l'évolution des besoins du marché. Ils doivent aussi viser à maximiser l'impact du budget européen, en permettant notamment le remploi de budgets en reflux et inutilisés de programmes précédents. Une simplification des processus budgétaires, reflétant un équilibre raisonnable entre les exigences spécifiques du contrôle financier de la Commission européenne et les obligations de reporting, d'une part, et les conditions de marché, d'autre part, devrait aider à assurer la flexibilité et l'impact et à renforcer aussi la capacité de la Commission à s'associer à des partenaires privés.

Une simplification du paysage des instruments financiers devrait aussi être réalisée en s'appuyant sur les instruments existants qui ont démontré leur efficacité, plutôt qu'en développant de nouveaux instruments, et en s'assurant que toutes les initiatives (tant centrales que régionales) sont complémentaires. Enfin, sans préjudice du rôle central que le Groupe BEI joue déjà et continuera de jouer dans la conception et la gestion des instruments financiers, il en va de l'intérêt du budget européen de rassembler les ressources et l'expertise financière de toutes les institutions financières (institutions financières internationales (IFIs) et les institutions financières publiques nationales) dans la mise en œuvre des instruments financiers européens et nationaux / régionaux.

TR5 : Soutenir la commercialisation des idées et la promotion de nouveaux produits et services

Pour soutenir efficacement la commercialisation d'idées, le CSC devrait couvrir l'ensemble du cycle de la recherche et de l'innovation. Les projets financés devraient fournir des plans d'exploitation réalistes en se concentrant sur des activités liées au pilotage, à l'essai du concept, aux tests et à la validation. Les exigences des plans d'exploitation devraient être adaptées à la nature des technologies en question. Une approche par phases est souhaitable, avec plusieurs étapes de financement et l'implication de différents types de partenaires à différentes étapes du cycle de l'innovation.

La participation de l'industrie dans le CSC devrait être renforcée, entre autre, en introduisant davantage de flexibilité au niveau des obligations de comptabilité analytique et de reporting et en se fondant sur une approche basée sur la confiance. Il serait possible par exemple, de fournir uniquement les éléments principaux de la structure de reporting et de laisser le choix ultime du modèle aux sociétés. Il est aussi nécessaire d'accélérer les processus d'application et d'approbation, de sorte que les projets puissent démarrer au plus tard six mois après l'échéance de la soumission, et

de créer plus de transparence budgétaire en dédicaçant clairement le financement disponible à des thématiques prioritaires spécifiques.

Les Partenariats public/privé (PPP) se révèlent être des instruments efficaces pour augmenter la participation et les engagements de l'industrie et à l'avenir, ils devraient être soutenus. Ils devraient avoir des objectifs clairement définis et des impacts attendus mesurables. Les PPP devraient aussi veiller à être flexibles et efficaces, tout en clarifiant les rôles tant du privé que du public.

Une collaboration plus étroite entre les European Technology Platforms (ETP) devrait être encouragée lorsque cela est approprié comme pour les défis sociétaux. En outre, il est proposé que les marchés publics soient le moteur de l'innovation stratégique et un instrument pour la mise en œuvre de nouvelles technologies. Les marchés publics sont considérés comme une manière pour le secteur public de donner l'exemple en matière de développement des toutes dernières technologies. Enfin, la fragmentation du système actuel des brevets dans l'UE devrait être remplacée par l'introduction d'un système de brevet unique dans toute l'UE, favorisant ainsi une protection moins coûteuse et plus efficace de la propriété intellectuelle.

TR6 : Développer des suggestions pour simplifier les règles de participation dans le CSC

Le CSC offre clairement des possibilités de simplification administrative à travers le développement d'un ensemble plus standardisé de règles couvrant tous les participants aux programmes européens de recherche et d'innovation.

Comparé à ses prédécesseurs, le FP7 a apporté bon nombre de simplifications largement reconnues. Ces mesures concrètes ont déjà conduit à une réduction des délais d'attribution des subventions et de l'effort administratif pour gérer les projets. Cependant l'accès aux programmes et la préparation des propositions reste difficile, en particulier pour les nouveaux arrivants. La charge administrative requise pour l'administration et la comptabilité de projets est perçue comme trop lourde et les délais d'obtention des autorisations et des paiements sont encore trop longs. Les possibilités de simplification accrue telles que présentées par la Commission sont structurées en trois axes principaux : un premier avec les améliorations et les simplifications que la Commission veut mettre en œuvre dans le cadre légal et réglementaire actuel (court terme), un second avec les modifications des règles mais toujours dans le modèle actuel basé sur les coûts et un troisième proposant des changements qui vont plus loin visant un financement basé sur le résultat et utilisant des forfaits.

Un des principaux obstacles au changement est la question de confiance (vs le contrôle) en matière de financement des projets de recherche, qui est de plus en plus discutée en lien avec le sujet de la simplification. La Commission se réfère à une stratégie de contrôle détaillée. La mise en œuvre de cette stratégie de contrôle a exacerbé la complexité perçue des exigences de subsidiation de la recherche de l'UE et peut décourager les chercheurs et l'industrie à participer aux programmes de financement à la recherche dans la communauté. Jusqu'à ce qu'une profonde simplification des règles de financement de la recherche soit effective, la mise en œuvre d'un risque d'erreur tolérable spécifique à la recherche permettrait à la Commission de revoir sa stratégie de contrôle. L'objectif de ce concept est de garantir un équilibre propre entre le contrôle et l'efficacité des politiques. Un important facteur de succès de nouvelles mesures de simplification sera la manière dont leur mise en œuvre sera gérée.

Synthèse

Les défis et recommandations susmentionnés reflètent les besoins des groupes spécifiques d'acteurs concernés, à savoir les autorités réglementaires de l'UE, nationales et régionales, les autorités académiques, les grandes sociétés et les PME, et les institutions financières.

Pour les autorités européennes, les domaines clefs d'amélioration concernent la couverture de tout le cycle d'innovation par étapes, en améliorant la transparence et en réduisant la charge administrative pour les bénéficiaires, en évaluant sérieusement l'efficacité des programmes ainsi qu'en réalisant une synergie entre divers fonds européens et avec les fonds de RDI des Etats Membres. Parmi les mesures

spécifiques proposées, l'on retrouve par exemple, la réduction du nombre d'audits financiers des projets et le passage à une « approche basée sur la confiance », ainsi que la réduction du nombre de schémas de financement et de modèles de coûts, et la publication d'appels à candidatures « sans échéances » qui permet aux soumissionnaires de soumettre leurs projets tout au long de l'année.

Les autorités réglementaires nationales et régionales devraient tendre à supprimer tous les obstacles tels que les limitations légales et les procédures administratives divergentes lorsqu'elles participent à des initiatives de programmation conjointe de recherche (JPIs). Ils doivent également faire des choix clairs et se fixer des objectifs précis dans le contexte de la « spécialisation intelligente », et prendre en main l'entière responsabilité de la promotion de l'excellence en matière d'éducation.

Les autorités académiques affichent un besoin évident d'une approche de programmation pluriannuelle cohérente qui couvrirait tous les stades du cycle de l'innovation : de la recherche et du développement de base au marché concurrentiel. Il faudra de plus aborder la question de la domination de l'industrie en matière de contrôle des droits de la propriété intellectuelle résultant des initiatives technologique conjointes (JTIs), qui a conduit à de nombreux conflits, rendant le programme non attrayant pour une éventuelle participation non industrielle.

Pour une implication plus active de grandes sociétés dans le CSC, des mécanismes renforcés de transfert de connaissances et des partenariats d'innovation européens seront nécessaires pour complémenter les mesures agissant sur la demande. Les problèmes liés aux droits de propriété intellectuelle, en particulier dans des projets concernant des sociétés concurrentes, doivent être abordés.

Il est suggéré de réinstaurer le statut de sous-contractant ou de partenaire associé des PME dans le CSC, comme c'était le cas dans le FP6, car cela présente des avantages considérables pour les PME et les autres partenaires du consortium. Les délais d'attente excessifs en matière de subsides représentent un défi majeur pour les PME dans les programmes actuels. Le recours à des appels d'offre sans échéance fixe ou la possibilité de soumettre en consortium de taille réduite, pourraient offrir des solutions à ce défi. Une simplification radicale de la gouvernance, des procédures et de l'administration est au moins aussi importante pour les PME que pour les autres bénéficiaires.

Par rapport aux institutions financières, les mécanismes de partage de risque devraient être davantage développés pour couvrir d'autres grands défis sociétaux, tels que la commercialisation de la recherche, les technologies clés génériques (KETs), le changement climatique, l'efficience énergétique, le vieillissement de la population, ou encore la cohésion sociale. De nouveaux mécanismes seront nécessaires pour accroître les ressources disponibles en ces temps de restrictions budgétaires, notamment avec l'évolution vers des systèmes de fonds renouvelables. La Commission européenne et la BEI devront également prendre les mesures nécessaires pour mettre en place une collaboration avec des institutions financières tierces. Un défi important sera de porter l'écosystème européen du capital à risque vers une masse critique et une cohérence accrue, d'établir et de développer des normes européennes en la matière et de soutenir la coopération transfrontalière et paneuropéenne entre les acteurs nationaux et régionaux.

ZUSAMMENFASSUNG

Ziel des Gemeinsamen Strategischen Rahmens (GSR) ist es, die Effizienz der Finanzierung von Forschung, Entwicklung und Innovation (FEI) auf nationaler und EU-Ebene zu verbessern. Der GSR bringt die drei wichtigsten bestehenden Finanzierungsquellen für Forschung und Innovation zusammen - die Initiativen RP7 (Siebtes Rahmenprogramm), CIP (Rahmenprogramm für Wettbewerbsfähigkeit und Innovation) und EIT (Europäisches Innovations- und Technologieinstitut). Die aktuelle Studie gibt einige gezielte Empfehlungen aus, die auf die Verstärkung, Verschlankung, Vereinfachung und Synchronisation der Komplementarität aller oben genannten Initiativen in einem Programm abzielen und sich zudem auf Synergien mit nationalen Programmen und anderen damit zusammenhängenden Politiken und Institutionen konzentrieren.

Zur Durchführung dieser Studie wurde ein mehrdimensionaler Ansatz verfolgt, der auf einem Synergieeffekt von Methoden, Perspektiven und Werkzeugen beruht. Zu den wesentlichen, für die Nachforschung genutzten Informationsquellen zählten Berichte über die Auswertung europäischer und nationaler Innovationspolitiken und –Programme, Analysen der Politiken der EU-Institutionen, entsprechende Berichte von Industrieverbänden und Ergebnisse der öffentlichen Konsultation zu Horizon 2020, der Vorschlag der Kommission zur Revision der Haushaltsordnung sowie Studien über den Wissenstransfer, die Kommerzialisierung und die Politik des geistigen Eigentums. Um dies zu bewerten, wurden ausführliche Interviews mit einer ausgewählten Gruppe von Interessenvertretern geführt, u.a. mit Kommissionsbeamten, Vertretern der Europäischen Investitionsbank Gruppe, Akademikern und Vertretern der Industrie. Die Studie umfasst sechs Forschungsfragen (RQs).

RQ1: Verstärkung der Synergien zwischen EU- und nationalen FEI-Programmen

Die Konzentration auf Exzellenz anstatt gleichwertiger Leistung innerhalb der Mitgliedsstaaten war einer der langfristigen Kernpunkte der EU-Politik für Forschung, Entwicklung und Innovation. Innerhalb des GSR sollten die Bemühungen auf die Verstärkung der gesellschaftlichen Auswirkungen dieser EU-Fonds gerichtet werden, und dies sowohl durch ihren direkten Einfluss auf herausragende Forschung als auch ihren indirekten Einfluss auf die Finanzierung weiterer Fonds und der Schaffung von Spin-offs.

In einem zweiten Schritt sollten so viele Synergien wie möglich zwischen FEI-Fonds der EU und nationalen Fonds hergestellt werden, um die herausfordernden Ziele zu erreichen. Zu diesem Zweck könnten insbesondere die Leistungsträger der Mitgliedsstaaten die Auswertungen von Forschungsangeboten des Europäischer Forschungsrates als Index zur Auswahl hochwertiger Projekte verwenden, die mit den strategischen FEI-Zielvorgaben der EU übereinstimmen. Zudem sollten die Quellen der EU-Finanzierung zur Förderung von Innovation angeglichen werden, einschließlich der Struktur- und Kohäsionsfonds. Bei vernünftiger Ausrichtung mit Konzentration auf innovative Lösungen und Exzellenz könnten diese Fonds die „intelligente Spezialisierung" in den Regionen und Cluster vorantreiben.

Die Auftragsvergabe im Bereich Innovation seitens der Mitgliedsstaaten sollte für jede Branche an den gemeinsamen strategischen Forschungsplänen (Strategic Research Agendas - SRAs) der EU ausgerichtet werden. Falls für eine bestimmte Branche kein Forschungsplan verfügbar ist, so sollte einer im Sinne einer innovationsfreundlichen Auftragsvergabe erarbeitet werden.

Schließlich sollte die gemeinsame Programmplanung auf Sektoren und Bereiche ausgerichtet sein, die zurzeit in Europa zersplittert sind. Die Bereiche, in denen bereits eine gute Koordination besteht, können relativ leicht auf bestehende europäische Mittel zugreifen.

RQ2: Identifizierung und Bewertung verschiedener Instrumente, die das Budget für Innovation und Forschung unterstützen

Die drei wesentlichen Finanzquellen für Forschung und Innovation auf EU-Ebene sind zurzeit die Initiativen RP7, CIP und EIT. RP7 hat das Ziel der Förderung von Exzellenz erreicht. Zehntausende erstklassige europäische und internationale Forscher wurden zur Teilnahme an tausenden gemischten (Industrie, Universitäten, Forschungsinstitute) grenzüberschreitenden Projekten auf höchster Ebene gewonnen. Viele dieser Projekte wären ohne EU-Finanzierung aufgeschoben, reduziert oder sogar aufgegeben worden. Allerdings sollte das Rahmenprogramm mehr Aufmerksamkeit auf die Erzeugung von Projektergebnissen und deren Verbreitung und wirtschaftliche Auswertung richten. Außerdem fehlt es dem RP7 an einer transparenten, klaren und soliden Interventionslogik. Die Komplexität des RP schreckt die Forscher ab und bewirkt, dass die Beteiligung der Industrie, insbesondere kleinerer Unternehmen, die sich schneller durch komplexe Verfahren und Vertragsfristen entmutigen lassen, nur zögerlich ist.

Die CIP-Initiative wird dank ihrer starken Geschäfts- und Marktausrichtung als bedeutender Faktor zur Förderung von Innovation bei kleinen und mittleren Unternehmen (KMU) erachtet. Es besteht allgemein Einigkeit darüber, dass die von den jetzigen Eckpfeilern des CIP abgedeckten Themen von entscheidender Bedeutung sowie bereichsübergreifender Relevanz sind, wie z.B. IKT, Energieeffizienz und Öko-Innovation. Dennoch bedarf die angemessene Zuteilung der verschiedenen Bereiche des CIP weiterer Überlegungen, da die CIP-Initiative unter ihrer Gestaltung in Form einer Ballung zahlreicher Maßnahmen und Programmen leidet.

Die EIT-Initiative hat wichtige Schritte durch die Integration des „Wissensdreiecks" in den Bereich der europäischen Forschung und Innovation gesetzt. Allerdings ist es in diesem frühen Stadium der EIT-Entwicklung noch schwer, die genauen Auswirkungen der Aktivitäten des EIT (Europäisches Forschungs- und Technologieinstitut) und der KIC (Wissens- und Innovationsgemeinschaften) einzuschätzen. Das EIT hat sich bisher auf die eigene Entwicklung und die der KIC konzentriert. Für den Zeitraum 2011 – 2014 sollte das EIT den Fokus auf die Konsolidierung und Lieferung feststellbarer Ergebnisse richten.

RQ3: Verbesserung der Koordination und Interaktion von EU-Finanzinstrumenten für FEI

Die Koordination der Politik des „Wissensdreiecks" ist schwach, da die Politik für Forschung, Innovation und Bildung von drei verschiedenen Programmen und Initiativen abgedeckt wird, deren Ziele nicht aneinander ausgerichtet sind. Der Mangel an einem eindeutigen Fokus ist auch auf der Ebene der einzelnen Programme offensichtlich. So enthält z.B. das RP eine Fülle allgemeiner hochgradiger EU-Ziele und ist in 10, vergleichsweise unabhängige thematische Prioritäten eingeteilt.[5]

Zweitens ist die breitere horizontale Verfahrenskoordination zwischen diesen Politiken des „Wissensdreiecks" und sonstigen Politiken sehr gering. Die Verbindungen zwischen einerseits RP, CIP und dem EIT und andererseits den Kohäsionsfonds und sonstigen Politiken (Mobilität, Energie, Landwirtschaft usw.) sind in der Tat unterentwickelt, wodurch die Umsetzung von Forschungsergebnissen zu neuen Produkten, Prozessen und Dienstleistungen erschwert wird.[6]

Um die Verbindungen zwischen Forschung, Innovation und Bildung und weiteren EU-Politiken zu verstärken, ist es wichtig, sicherzustellen, dass die im zukünftigen Kohäsionsrahmen festgelegten Prioritäten mit denen des zukünftigen Forschungs- und Innovationsrahmens übereinstimmen, insbesondere durch Gewährleistung des Prinzips der Exzellenz in den auf Forschung und Innovation ausgerichteten Bereichen des zukünftigen Kohäsionsrahmenprogramms. Dadurch können die Bemühungen zum Aufbau von Kapazitäten unterstützt und den Konvergenzregionen ein „Weg zur

[5] *Folgenabschätzung: Begleiten der Kommunikation der Kommission 'Horizon 2020 – Das Rahmenprogramm für Forschung und Innovation*, 2011, S.18

[6] *Folgenabschätzung: Begleiten der Kommunikation der Kommission 'Horizon 2020 – Das Rahmenprogramm für Forschung und Innovation*, 2011, 52 ff.

Exzellenz" gewiesen werden. Außerdem sollte die Ko-Finanzierung von Projekten durch Strukturfonds und sonstige EU-Finanzierungsquellen ermöglicht werden.

Zusätzlich ist eine einheitlichere und auf mehr Zusammenarbeit achtende Steuerungsstruktur erforderlich, mit besserer Kommunikation sowohl auf EU-Ebene (zwischen den verantwortlichen Generaldirektionen) als auch auf nationaler und regionaler Ebene zwischen den Behörden und Hilfsstrukturen. Dies kann insbesondere durch partnerschaftliche Verträge erreicht werden.

RQ4: Verbesserung der Rolle der EIB bei der Unterstützung von Haushaltsanstrengungen in Verbindung mit Innovation

Die Finanzinstrumente auf EU-Ebene müssen für alle Arten von innovativen Unternehmen ausgerichtet sein, von KMU und kleineren mittelständischen Gesellschaften bis hin zu größeren Unternehmen und Konzernen. Zudem sollten sie ausgeweitet werden, um öffentliche Forschung und "Open Innovation" Aktivitäten zwischen Gesellschaften, Forschungsinstituten und KMU zu unterstützen, einschließlich Infrastrukturprojekten der Forschung und Entwicklung. Dabei müssen die verschiedenen Bedürfnisse und Aspekte hinsichtlich der Risikobewertung und der Staatsschuldenverwaltung berücksichtigt werden.

Weiters sollte die finanzielle Unterstützung auf unterschiedliche Schichten von Kapitalstrukturen ausgerichtet sein und sowohl hybride und Fremdfinanzierungslösungen als auch Eigenkapital vorsehen. Zu diesem Zweck sollte das neue „Risk-Sharing Instrument für KMU und kleinere mittelständische Unternehmen" (Instrument der Risikoteilung, RSI) – eine Darlehensfazilität, die innovativen KMU helfen soll, Finanzierung von Banken zu erhalten - genau verfolgt werden, als Pilotprojekt für den nächsten Programmplanungszeitraum. Auch die Unterstützung für Risikokapital muss fortgesetzt und verstärkt werden, um den Rückgang der traditionellen Kategorien der Investoren aufzuhalten und neue Investoren anzuziehen, wie z.B. Business Angels und institutionelle Anleger, und zwar durch gesetzliche Maßnahmen, die die Fragmentierung des europäischen Risikokapitalmarkts reduzieren sowie individuelle Maßnahmen, die gemeinsame Investitionen durch institutionelle und nicht-institutionelle Investoren fördern.

Hinsichtlich der Gestaltung müssen die Finanzinstrumente so flexibel wie möglich sein, um eine ausreichende Reaktivität auf Marktveränderungen gewährleisten zu können. Auch sollten sie darauf abzielen, die Wirkung des EU-Haushalts zu maximieren, indem sie z.B. die Wiederverwendung von Rückflüssen und unverwendetem Budget aus vorherigen Programmen ermöglichen. Eine Vereinfachung der Haushaltsprozesse, die einen angemessenen Ausgleich zwischen individuellen Finanzkontrollanforderungen und Berichterstattungspflichten der Europäische Kommission (EK) einerseits und Marktbedingungen andererseits aufweist, würde helfen, um Flexibilität und Wirkung zu gewährleisten und würde zudem die Fähigkeit der EK verstärken, sich mit privaten Partnern zusammenzuschließen.

Eine Vereinfachung des Bereichs der Finanzinstrumente könnte erreicht werden, indem auf vorhandene, erfolgreiche Instrumente aufgebaut wird statt neue Instrumente zu entwickeln und indem sichergestellt wird, dass alle Initiativen (sowohl die zentralen als auch die regionalen) sich gegenseitig ergänzen. Zu guter Letzt und unbeschadet der zentralen Rolle, die die EIB-Gruppe bereits bei der Gestaltung und Verwaltung von Finanzinstrumenten spielt und weiterhin spielen wird, ist es im Interesse des EU-Haushalts, die Ressourcen und die Finanzexpertise aller Finanzinstitutionen (Internationale Finanzinstitutionen (IFIs) und öffentliche staatliche Finanzinstitutionen) bei der Einführung von EU- und nationalen/regionalen Finanzinstrumenten zusammenzuführen.

RQ5 Unterstützung der Vermarktung von Ideen und Förderung neuer Produkte und Dienstleistungen

Um die Vermarktung von Ideen effizient zu unterstützen, sollte der GSR den gesamten Forschungs- und Innovationszyklus abdecken. Die finanzierten Projekte sollten realistische Nutzungspläne vorweisen, wobei insbesondere Fragen der Steuerung (Konzeptanalysen), des Testens und Auswertens der Projekte berücksichtigt werden sollten. Die Anforderungen an die Nutzungspläne sollten auf die Art der jeweiligen Techniken abgestimmt sein. Ein Vorgehen in Phasen mit mehreren Etappen der Förderung und dem Einbeziehen verschiedener Arten von Partnern zu unterschiedlichen Stadien des Innovationszyklus wäre wünschenswert.

Die Beteiligung der Industrie am GSR sollte verstärkt werden, u.a. durch eine flexiblere Gestaltung der Kostenrechnung und des Berichtswesens, indem lediglich die wesentlichen Bestandteile der Berichtsstruktur festgelegt werden und den Unternehmen die letztendliche Modellwahl überlassen bleibt; durch ein beschleunigtes Antragsstellungs- und Genehmigungsverfahren, so dass das Projekt spätestens sechs Monate nach Ablauf der Angebotsfrist anlaufen kann; durch ein Konzept, das sich auf Vertrauen stützt; und durch eine erhöhte Budgettransparenz, indem die jährlich verfügbaren Mittel eindeutig den jeweiligen thematischen Prioritäten zugeordnet werden.

Öffentlich-private Partnerschaften (ÖPP) haben sich als wirksames Instrument zur Steigerung der Beteiligung der Industrie herausgestellt und dieses Engagement sollte in der Zukunft gefördert werden. Die ÖPP sollten klar festgelegte Ziele und messbare zu erwartende Auswirkungen vorweisen. Zudem sollten sie flexibel und effizient bleiben und die Aufgaben der privaten und öffentlichen Seiten klar definieren.

Eine engere Zusammenarbeit zwischen Europäischen Technologieplattformen (ETP) sollte gegebenenfalls gefördert werden, also etwa im Bereich gesellschaftlicher Herausforderungen. Zudem wird die öffentliche Auftragsvergabe als strategischer Antrieb für Innovation und ein Mittel zur Einführung neuer Technologien empfohlen. Die öffentliche Auftragsvergabe wird als eine Möglichkeit für den öffentlichen Sektor gesehen, mit gutem Beispiel voranzugehen, um sicherzustellen, dass die neuesten Technologien entwickelt werden können. Schließlich sollte das heutige zersplitterte Patentsystem innerhalb der EU durch ein EU-weites Patentsystem ersetzt werden, um einen kostengünstigeren und wirksameren Schutz des Geistigen Eigentums zu ermöglichen.

RQ6: Ausarbeitung von Vorschlägen zur Vereinfachung der Teilnahmeregeln für den GSR

Der GSR bietet eindeutige Möglichkeiten der administrativen Vereinfachung durch die Entwicklung von standardisierten Regeln, die alle Beteiligten der EU-Forschungs- und Innovationsprogramme abdecken.

Im Vergleich zu seinen Vorgängern hat RP7 einige allgemein anerkannte Vereinfachungen hervorgebracht. Diese konkreten Maßnahmen haben bereits zu einer Minderung der Vorlaufzeit sowie des Verwaltungsaufwandes zur Durchführung von Projekten geführt. Allerdings sind der Zugang zu den Programmen und die Vorbereitung von Vorschlägen vor allem für Neueinsteiger noch immer zu schwierig. Der Verwaltungsaufwand für die Projektlenkung und Rechnungslegung wird als zu hoch erachtet und die Vorlaufzeiten bis zur Gewährung und Auszahlung der Finanzhilfen sind weiterhin zu lang. Die von der Kommission vorgestellten Möglichkeiten der weiteren Vereinfachung liegen im Grunde auf drei Ebenen: erstens Verbesserungen und Vereinfachungen, die die Kommission auf der Grundlage der bestehenden Rechts- und Verwaltungsvorschriften (kurzfristig) einführen wird, zweitens Änderungen der Regeln innerhalb der Schranken des bestehenden kostenorientierten Modells und drittens weiter reichende Änderungen in Richtung einer ergebnisorientierten Förderung durch Pauschalbeträge

Ein wesentliches Hindernis für Änderungen ist die Vertrauensfrage (gegenüber der Kontrolle) zur Finanzierung von Forschungsprojekten, die vermehrt in Bezug auf die Vereinfachung diskutiert wird. Die Kommission vertraut auf eine umfassende Kontrollstrategie. Die Verwirklichung dieser Kontrollstrategie hat dazu geführt, dass die Anforderungen im Rahmen von EU-Finanzhilfen im Forschungsbereich nun als noch komplexer empfunden werden und Forscher und Unternehmen von der Beteiligung an Forschungsförderprogrammen abschrecken können. Bis zum Wirksamwerden einer grundlegenden Vereinfachung der Regeln für die Forschungsförderung würde die Einführung eines forschungsspezifischen tolerierbaren Fehlerrisikos es der Kommission ermöglichen, ihre Kontrollstrategie zu überprüfen. Ziel dieses Konzepts ist es, ein ausgewogenes Verhältnis zwischen Kontrollen und der Wirksamkeit der politischen Strategie zu gewährleisten. Ein wichtiger Erfolgsfaktor für weitere Vereinfachungsmaßnahmen wird die Art der Umsetzung sein.

Synthese

Die oben genannten Herausforderungen und Empfehlungen spiegeln die Bedürfnisse bestimmter Interessengruppen wider, insbesondere von EU-, nationalen und regionalen Politikern, Akademikern, Großfirmen und KMU sowie von Finanzinstitutionen.

Für die politischen Entscheidungsträger auf EU-Ebene sollten die wesentlichen Verbesserungsbereiche den gesamten Innovationszyklus in Etappen abdecken, die Transparenz erhöhen und den Verwaltungsaufwand für die Begünstigten reduzieren, die Programmwirksamkeit kritisch bewerten sowie Synergien zwischen verschiedenen europäischen Mitteln und den F&E-Geldern der Mitgliedsstaaten schaffen. Zu den besonderen Maßnahmen zählen z.B. die Verringerung der Anzahl der Prüfungen der Projektfinanzen, d.h. hin zu einem "Vertrauensansatz", sowie die Verringerung der Anzahl von Förderformen und Kostenmodellen und die Veröffentlichung von "fristfreien Aufforderungen", die es den Bewerbern erlauben, Angebote über das ganze Jahr hinweg einzureichen.

Landes- und Regionalpolitiker sollten sich bemühen, bei gemeinsamen Programmplanungen sämtliche Hindernisse wie z.B. gesetzliche Einschränkungen und abweichende Verwaltungsverfahren zu beseitigen, eindeutige Entscheidungen zu treffen und die Konzentration auf die intelligente Spezialisierung zu fördern sowie die volle Verantwortung für hochwertige Bildung zu übernehmen.

Akademiker zeigen einen deutlichen Bedarf an einer durchgehenden mehrjährigen Programmplanung, die alle Etappen des Innovationszyklus von der grundsätzlichen Forschung und Entwicklung bis hin zum Wettbewerbsmarkt abdeckt. Ebenso hat die Dominanz der Unternehmen bei der Kontrolle der geistigen Eigentumsrechte aus den gemeinsamen Technologieinitiativen zu vielen Streitigkeiten geführt, wodurch das Programm für die nicht-gewerbliche Beteiligung oft unattraktiv wurde.

Für ein vermehrtes aktives Engagement seitens großer Unternehmen für den GSR sind bessere Instrumente des Wissenstransfers und europäische Innovationspartnerschaften erforderlich, um die Lücke der nachfrageseitigen Maßnahmen zu schließen. Probleme mit Geistigen Eigentumsrechten und insbesondere in Projekten, die miteinander konkurrierende Unternehmen betreffen, müssen gelöst werden.

Die Wiedereinführung des Status des Subunternehmers oder des assoziierten Partners von KMU im GSR, wie er im RP6 verwendet wurde, sollte für KMU und andere Konsortialpartner erhebliche Vorteile mit sich bringen. Für KMU ist vor allem die übermäßige Vorlaufzeit ein großes Problem. Fristfreie Ausschreibungen und kleinere Konsortien könnten helfen, dieses Problem zu lösen. Die radikale Vereinfachung der Steuerung, der Verfahren und der Verwaltung ist für KMU mindestens ebenso wichtig wie für andere Nutznießer.

Im Hinblick auf Finanzinstitutionen sollten auch die bestehenden Systeme der Risikoteilung entsprechend erweitert werden, um die großen Herausforderungen in Europa abzudecken, insbesondere in Bereichen wie der Vermarktung von Forschungsergebnissen, Schlüsseltechnologien, Klimawechsel, Energieeinsparung, Demographie (Überalterung), aber auch die gesellschaftliche

Kohäsion. Um die vorhandenen Ressourcen in diesen schwierigen Zeiten der öffentlichen Mittelbeschaffung auszudehnen, müssen neue Systeme entwickelt werden, z.B. durch die Ausarbeitung eines revolvierenden Fondssystems. Die EK und die EIB sollten zudem die erforderlichen Schritte zur Verbesserung der Zusammenarbeit mit externen Finanzinstitutionen ergreifen. Eine große Herausforderung wird es sein, das stark zersplitterte europäische Risikokapital-Ökosystem auf die kritische Masse und Kohärenz zu bringen, europäische Marktnormen festzulegen und zu entwickeln und die grenzüberschreitende und europaweite Zusammenarbeit von nationalen und regionalen Akteuren zu fördern.

1. INTRODUCTION

This external research study on EU budget support for innovation has been prepared by PwC (consultancy company) within the multiple framework contract IP/D/ALL/FWC/2009-056 - Lot 4: "Other Internal Policies". The PwC team was composed of the following experts from PwC Belgium and PwC The Netherlands:

- Michael Wagemans, Project Director
- Kristina Dervojeda, Senior Researcher
- Rachel Smit, Researcher
- Bas Warmehoven, Researcher
- Yvette Verschoor, Research Assistant
- Stijn Vanhoudt, Research Assistant

The introduction chapter offers a brief recap of the objectives of the study (section 1.1), the methodology used (section 1.2) and an overview of the report's structure (section 1.3).

1.1. OBJECTIVES

In its Resolution of 15 June 2010 on "Community innovation policy in a changing world" (T7-0209/2010) following the Commission's Communication (COM(2009)442), the European Parliament calls for a reinforced European approach to financing innovation for the 2014-2020 Financial Perspective. The Parliament emphasises the need to review the rules for eligibility for R&D funding regarding pre-industrial and/or experimental R&D. It also calls on the Member States to increase their R&D funding in order to achieve the goal of spending 3% of GDP on R&D, set in Barcelona in 2002.[7]

The EU Budget Review[8] identified research and innovation spending as a key priority and called for future EU research and innovation instruments to work together in a Common Strategic Framework or CSF (in line with the European Court of Auditors' Special Report 9/2007 concerning the evaluation of the EU Research and Technological Development (RTD) framework programmes). The aim of the CSF would be to improve the efficiency of research and innovation funding at national and EU levels, primarily by bringing together, within a single unitary framework, the three main existing sources of funding for research and innovation – the 7th Framework Programme (FP7), the Competitiveness and Innovation Framework Programme (CIP) and the European Institute for Innovation and Technology (EIT). This option was designed on the basis of the core principles underpinning the 2010 EU Budget Review: European added value, impact, and value-for-money.

While successive evaluations of EU research and innovation funding instruments have highlighted the strengths of these instruments in terms of relevance, quality and impact at European level -- namely thanks to the scale and leverage effects they enable – some important weaknesses have also emerged. In particular, studies have highlighted the lack of an integrated whole-chain approach to research and innovation; the fragmentation of research funding and complexity of instruments; the insufficient valorisation of research results; the high administrative burden and the complexity of procedures; as well as the lack of transparency surrounding these funds. The CSF would seek to address these weaknesses by coupling together research and innovation activities in a coherent manner, with common strategic policy objectives, so as to increase the impact of EU funding.

[7] European Parliament (2011), *Factual Background Note on Research and Innovation Policy* for the meeting of the special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013, 18 pp.
[8] European Commission (2010), *The EU Budget Review*: 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, SEC (2010) 7000, 29 pp.

The current set of RDI funding schemes and instruments would be rationalised, taking forward those instruments that have proved most successful, merging those with overlapping or similar objectives, and discontinuing those that are no longer relevant or overly inefficient. At the same time, the CSF would enable significant simplification thanks to the introduction of a single set of rules and procedures across the three blocks of the CSF. A key objective is to respond to stakeholders' request for more user friendly EU-level support for research and innovation, in particular for SMEs.

In line with the new Multiannual Financial Framework, the use of innovative financial instruments will also be encouraged to leverage private research and innovation investments, including venture capital investments.

In February 2011, the Commission launched a public consultation on the CSF through a Green Paper entitled "From Challenges to Opportunities: Towards a Common Strategic Framework for EU research and innovation funding". The consultation was met with 775 position papers and 1.300 responses to the online questionnaire.[9] Among others, stakeholders stressed the need for:

- Increased coordination of EU RDI efforts, ensuring complementarity of different funding instruments and programmes across Member States;
- Simplification of the rules for participating in RDI funding programmes and easier access for SMEs;
- More support for closer-to-the-market activities, such as demonstration and piloting projects;
- Improved access to finance, with an increased reliance on innovative financing instruments, with a stronger role for the EIB and EIF in particular.

In light of these developments and in expectation of the Commission's specific legislative proposals for a Common Strategic Framework of research and innovation funding, the Budgetary Affairs Committee of the European Parliament has requested the conduct of a study aimed at assessing all different EU instruments providing budget support to innovation and research. Specifically, this assessment aims to evaluate the following questions:

1. How can the synergies between EU and national RDI programmes be maximised, particularly with a view to helping national efforts to reach the target of 3% GDP to RDI? How to use the European Semester to promote RDI?
2. What EU research and innovation funding instruments currently exist and what are their key characteristics (this question implies the identification and brief assessment of these instruments, rules for how the funds may or may not be used, and any possible conflicts between these, and an assessment of the total volume of funding)?
3. How can the coordination and interaction of EU funding instruments be improved to make sure that no funding instruments overlap or contradict each other?
4. How can the role of the EIB in supporting budgetary efforts in the field of research and/or coordinating national and community efforts be reinforced?
5. How can Europe's ability to make full use of research results be maximised?
6. How can the rules for participation in the CSF be simplified?

These questions form the six research questions of the current study. The study aims to provide a set of specific recommendations focused on reinforcing, streamlining and synchronising the complementarity of all included instruments in order to achieve the goals of the EU 2020 Strategy.

[9] European Commission (30/11/2011), *Public Consultation for Horizon 2020* at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=public-consultation

1.2. METHODOLOGY

The current section addresses the key methods and tools used for the purpose of this study, which was structured around the four phases: (1) structuring; (2) data gathering; (3) data analysis, and (4) judgment.

1.2.1. Phase 1: Structuring

The aim of the structuring phase was to operationalise and finalise the scope of the study, the proposed methodology and work plan, based on a scoping and validation meeting with the European Parliament held on 5 December 2011. This phase resulted in the final list of information sources to be used for the needs of the study, the final set of research questions, as well as stakeholder mapping.

1.2.2. Phase 2: Data gathering and analysis

The aim of the data gathering phase was to collect all relevant secondary information required in order to provide a response to each of the six research questions. The key sources of information used in desk-research included plans, reports and ex-post evaluations of relevant EU programmes (e.g., FP7 Interim evaluation and annual monitoring reports, CIP Interim evaluation); reports on the evaluation of national innovation policies; budget reports from EU institutions and agencies; data from Eurostat and Innovation Scoreboard on national innovation performance; financial and policy analyses from EU institutions, relevant reports from industry associations and results of stakeholder consultation, Commission's proposal to revise the Financial Regulation, relevant studies on knowledge transfer, commercialisation, IP policy, etc.

A list of the principal documentation used is provided in the references at the end of this report.

1.2.3. Phase 3: Data validation

For validation purposes, we conducted interviews with a select group of key stakeholders, including Commission officials, EIB/EIF representatives; academics; industry representatives; etc. A list of the interviewees is given in Annex 2 at the end of this report.

These interviews served to validate the findings of our desk research and to provide testimonials to illustrate our findings and conclusions.

1.2.4. Phase 4: Judgement

Based on the results of desk-research and the interviews, and following a rigorous methodology, common themes and patterns were identified with a view to making recommendations with regard to good practices and matters for improvement.

1.3. REPORT STRUCTURE

The remainder of the report contains the following chapters:

- **Chapter 2** addresses the question of synergies between EU & national RDI programmes. It focuses on the characteristics of EU funding that maximise the benefit of acting at the EU level; possible support to Joint Programming Initiatives between groups of Member States; and on optimal relations between EU, national and regional research and innovation funding.

- **Chapter 3** offers a brief assessment of different EU instruments providing budget support to innovation and research, namely the 7th Framework Programme (FP7), the Competitiveness and Innovation Framework Programme (CIP), and the European Institute for Innovation and Technology (EIT). It focuses on aspects of relevance, effectiveness, efficiency, simplification and governance issues.

- **Chapter 4** focuses on improving the coordination and interaction of EU RDI funding instruments. The chapter provides an analysis of how the current set of RDI funding schemes and instruments can be rationalised. It also considers how coordination and coherence between different RDI funding instruments can be further improved, and how synergies can be increased with the future Cohesion funds.

- **Chapter 5** looks at improving the role of the EIB in supporting budgetary efforts in the field of research and innovation. It pays specific attention to the question of optimisation of the EIB capital to increase the use of risk-sharing mechanisms, as well as the ways to make the current financial instruments coherent and consistent. Additionally, it includes the analysis of the scope of EIB and EIF operations and possible future adjustments to include innovative services and demand-side measures.

- **Chapter 6** addresses the issue of supporting marketisation of ideas and promotion of new products and services. The key questions examined in this chapter include how EU funding can cover the full innovation cycle (from research to market uptake); the need to take account of the broad nature of innovation, including non-technological innovation, eco-innovation and social innovation; the potential of public procurement of innovation; strengthening industrial participation; the role of Joint Technology Initiatives and European Technology Platforms, as well as the role of Intellectual Property Rights.

- **Chapter 7** provides suggestions for simplifying the rules for participation in the CSF. It analyses the issues of a single entry point with common IT tools, a one stop shop for support, a streamlined set of funding instruments covering the full innovation chain, and further steps towards administrative simplification.

- **Chapter 8** will offer a synthesis of the study's results, and overall conclusions and recommendations.

2. RQ1: MAXIMISING SYNERGIES BETWEEN EU AND NATIONAL RDI PROGRAMMES

KEY FINDINGS

- **European Research Council evaluations of research proposals could serve as a benchmark** to Member States' funding agencies for selecting high-quality projects that are in line with EU strategic RDI objectives.
- EU **Structural Funds and Cohesion Funds** could be aligned to the focus on innovative solutions and excellence, thereby helping to drive **smart specialisation** in regions and clusters.
- **Innovative procurement** at the Member State level should be aligned with EU Strategic Research Agendas for each industry. If no SRA is available for a specific industry, one should be compiled to direct innovative procurement efforts.
- Any **recommendations made through the European Semester** should be sufficiently comprehensive and not limited to sub-groups of apparently randomly selected Member States.
- Joint programming should be **targeted at sectors or areas that are currently fragmented** in Europe. Areas where coordination is already high have relatively easy access to existing European funds.
- The following suggestions are made for contributing to excellence at the national level:
  - solid **EU Intellectual Property Law**;
  - a simple and transparent **project management process**;
  - pan-European **e-infrastructures** for researchers;
  - **benchmarking** of Member States, research institutions and perhaps individual researchers in a transparent manner.

2.1. RATIONALE

Public research and innovation funding in Europe is primarily organised at national level. Despite some progress, national and regional governments still largely work according to their separate strategies. This often leads to costly duplication and fragmentation. However, EU level actions can provide an opportunity to generate greater efficiencies and impact. *"Facing the new global landscape of knowledge production there is a need for Europe working more closely together in order to cope with challenges of global competition and opportunities from international cooperation. This holds for making the best possible use of knowledge and expertise available in Europe and for putting together financial resources for activities of critical mass being globally visible and competitive."*[10]

EU level actions can further serve to stimulate national and regional level funding. Experiences with pooling Member State resources have demonstrated the potential impact and efficiencies offered by leveraging other public sources of funding. Their effectiveness does, however, depend on strong commitments, also in financial terms, from national and regional public authorities.[11]

[10] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3.

[11] "From challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding", Green Paper, COM (2011) 48

2.2. KEY CHALLENGES

2.2.1 Maximising the benefit of acting at the EU level

EU funding has been crucial in delivering long-term support to specific themes or sectors and to ensure a comprehensive innovation strategy, thereby ensuring a continuous output of strong technology candidates and a solid base for technological development and innovation. When supporting a specific theme or sector, the EU can fully benefit from its scale while still providing a focused contribution to innovation.[12] This is particularly relevant for sectors that have very long innovation cycles, such as aeronautics, biotechnology or nanomaterials, in addition to the (other) key enabling technologies defined by the Commission.[13] Examples of long-term support are dedicated sectoral programmes for e.g. nuclear and space research that have existed through multiple FP's, but also the Joint Technology Initiatives and potentially the Joint Programming Initiatives.

A second argument in favour of EU funding is that it creates collaboration, mobility, and networks of researchers, in addition to contributing to the dissemination of both technical standards and soft skills. Examples of the latter are the practical use of languages, collaboration, and project management skills.

Thirdly, FP7 has contributed to increasing private involvement in RDI investments. By substantially increasing the budget in comparison to the previous programming period, the latest Framework Programme has solicited more private co-financing than any of its predecessors.

EU funding also provides critical mass for both a research project itself and the use of its results. It helps to create visibility for the project and therefore increases the probability that any resulting technological findings will be applied with commercial or societal benefits. As one stakeholder phrased it: "The characteristics of EU funding which maximise the benefit of acting at the EU level are mainly based on trans-national cooperation, diverse mentalities, and a variety of working methodologies. Therefore, the two most important features that should be taken into account in the planning of the next Framework Programme are guaranteeing European added value and achieving impact on the European economy and society."[14]

As a final argument, EU funding may sometimes be the only option available for innovation projects that are not supported by national or regional policies because the latter are not available. In that sense, the EU also has a role to cover the "white spots" in Member States' innovation policies to those projects that meet its quality requirements. Specifically, the EU should cover "areas of common interest which cannot be tackled at single industry or single nation level."

A downside of EU funding has been that, vis-à-vis national programmes, it is more difficult to attract SMEs as applicants. The main reason for this is that SMEs generally have less capacity (in terms of human resources, short-term working capital and/or organisational capabilities) for EU cooperation on innovation projects than large firms and thus have to invest in building such capacity to participate in EU collaboration projects. SME participation increased substantially when FP7 Aviation increased the funding rate for SMEs to 75%. This example suggests that although the threshold to cooperation at the EU level may be higher for SMEs, it can be conquered if a sufficient level of support is provided.

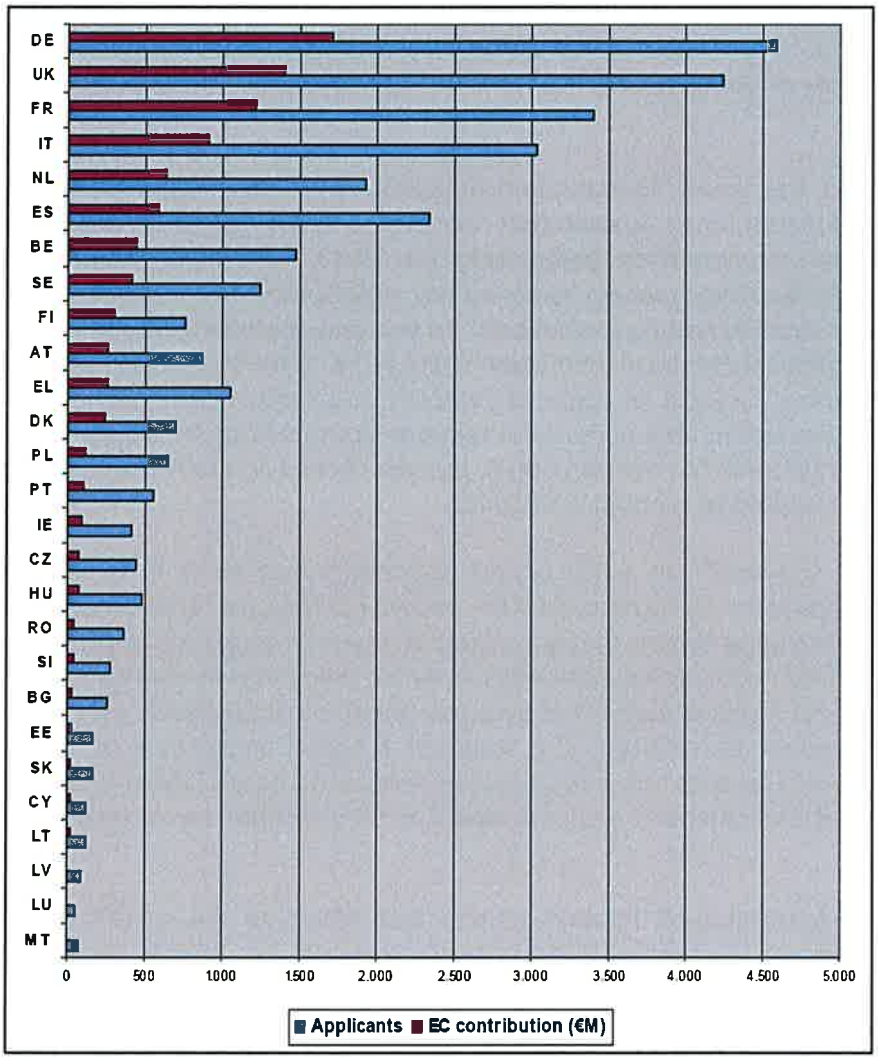
[12] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3.
[13] Various Commission publications on key enabling technologies are available at http://ec.europa.eu/enterprise/sectors/ict/key_technologies/index_en.htm.
[14] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3

2.2.2. Leveraging other sources of funding

EU RDI programmes are conducive to national and regional funding for specific research and innovation projects, because EU contributions in the field of RDI – particularly through FP7 – are provided based on excellence of research or project proposals and competition is fierce. There are examples of EU initiatives that were less successful in soliciting national funding, such as the European Science Foundation's EUROCORES scheme and lower than desirable commitments registered in some ERA-Nets.

There is broad stakeholder support for excellence as a selection criterion for RDI funding[15], although the downside of the criterion is that not all Member States receive their proportionate share of EU innovation funding, as Figure 2-1 below demonstrates.

Figure 2-1: Number of applicants and requested EC contribution in million Euros by Member State in retained FP7 proposals



Source: European Commission (2009), *Commission staff working document on the progress made under the 7th European Framework Programme for Research*, SEC(2009) 0589, p. 15

As a result of the excellence criterion, RDI projects that are fully or partly financed by the EU are considered by national funding agencies to be highly qualified for funding. An example of this has

[15] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3

been making the ranking lists of the European Research Council available to national funders, so that they may rely (in part) on the ERC's evaluation of research proposals for their own review of applications. Research projects that have been supported by the EU have a better chance of acquiring follow-up financing from national funds for a development or commercialisation project than projects without EU support.

In line with the 'division of tasks' between EU and national funders on R&D and marketisation respectively, a similar distinction appears to be possible between the role of the CSF and the funds available for implementing the Cohesion Policy. As an example: "In the aeronautics and air transport, the EU research funding should be kept to research (RTDI) activities whilst the structural and cohesion funds should be dedicated to develop/improve/maintain key research infrastructures and strengthen market uptake."[16] However, another point of view is that EU funding should cover the full innovation cycle, from fundamental research through to the marketing of an end-product, or even include as a requirement that a marketable prototype be the result of any project funded with CSF funds.[17] While this goes toward the economic merit of an RDI process that has already reached the development stage, it is inherent to all fundamental research that it may fail to generate results that can be used as a basis for product development. As a result, demanding of all EU-funded research projects that they yield prototypes or end-products may in fact result in a reduction of Europe's long-term innovative potential.

In this respect the Smart Specialisation approach is of key importance. This policy approach is described as follows: Smart Specilisation "aims to harness regional diversity by avoiding uniformity and duplication. It combines goal-setting (EU 2020, Innovation Union) with a dynamic and entrepreneurial discovery process involving key stakeholders from government, business, academia and other knowledge-creating institutions." To this end, member states and regions are called upon to develop a national / regional innovation strategy, i.e. "a multi-annual strategy aimed at developing a well-performing national or regional research and innovation system. It defines a policy mix focusing on a limited number of priorities targeted at stimulating smart growth."[18] In this sense, there is an aspect of research to cohesion policy, but not of cohesion to research policy, as universities will be able to find additional funding in CP funds.

Although the "EU label" on a RDI project apparently may serve to attract national funding, the benefits of this effect may be reduced if the national or regional funder creates a large administrative burden by demanding to re-evaluate projects or research proposals of projects already accepted at the EU level. If EU and national authorities agree on guidelines for co-financing each other's projects and national and regional authorities accept evaluations of proposals performed by EU institutions, this burden would be reduced. The result of a broad acceptance of EU institutions' proposal evaluations would be that only administrative requirements additional to the ones accepted should be evaluated at the national or regional level if an EU institution has already accepted a project on its merits.

Even though leveraging all funding sources may eliminate the specific benefits of the different funding programs, we consider that leverage could be further improved vis-a-vis previous programming periods without running the risk of eliminating specific benefits. More importantly, stakeholders suggest that national and EU funders should coordinate when co-financing projects, in

[16] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3.
[17] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3
[18] http://ipts.jrc.ec.europa.eu/activities/research-and-innovation/s3platform.cfm

order to avoid increasing the risk of project implementation due to diverging administrative requirements that affect the project and the consortium implementing it.[19]

Relating EU funding to national and regional funding

The coordination between European (FP7, Lifelong Learning, Structural Funds, Cohesion Funds and Social Funds are mentioned), national, and regional funds has been poor in the past. The goals of measures at the different levels are often not aligned and there are many programmes with many different, quite specific goals, making it difficult for those who want to request funding to find their way.[20]

Also, some crowding out effects are perceived, when national and regional funds take EU funding as a given and choose to direct their funds towards other topics instead of aligning them to further enforce the results of EU programmes. In this respect, we caution that putting more emphasis on RDI at the EU or inter-MS level should not go hand in hand with reduced performance at the intra-MS level. If initiatives coordinated by the EU (such as the JPIs) result in reduced national and regional efforts, the added value will be limited.

One stakeholder clarifies how the relationship between EU and national/regional funding is perceived: "It is the responsibility of MS to ensure the coherence, complementarity and consistency of the different activities led at regional or national levels with those in the EU programmes. This MS role is essential to identify potential gaps of uncovered RTDI needs, contributing to orientation of future activities."[21]

An online database of all European R&D projects could be set up and regularly updated to facilitate this process of 'filling gaps'. Such a database would prevent duplication of RDI activities at the various levels, while at the same time adding to the dissemination of R&D results and the development of new RDI partnerships, including both large and small firms as well as knowledge institutions.

Innovative public procurement

The Commission's Communication on the Innovation Union states as Commitment no. 17:

> *From 2011, Member States and regions should set aside dedicated budgets for pre-commercial procurements and public procurements of innovative products and services (including those defined by the Innovation Partnerships, see Section 5). This should create procurement markets across the EU starting from* ***at least €10 billion a year for innovations that improve the efficiency and quality of public services, while addressing the major societal challenges****. The aim should be to achieve innovative procurement markets equivalent to those in the US. The Commission will provide guidance and set up a (financial) support mechanism to help contracting authorities to implement these procurements in a non-discriminatory and open manner, to pool demand, to draw up common specifications, and to promote SME access.*
>
> *In addition, the Commission will offer guidance on implementing joint procurements between contracting entities under the current public procurement directives and use the ongoing general evaluation of the current directives to examine the opportunity to introduce additional rules to make cross border joint procurements easier.*

[19] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 3

[20] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 8

[21] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 8

Source: European Commission (2010), *Europe 2020 Flagship Initiative Innovation Union*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SEC (2010) 1161, 46 pp.

In its current form however, the Commitment is too abstract to assess to what extent it will have been realised in the future. For instance pre-commercial procurement and procurement of innovative products and services are two different things, which may overlap and therefore volumes of both cannot be added together to make up a total number on innovative public procurement. Also, the debate on what is "regular" public procurement and what is "innovative" in this respect is far from over, with policymakers, economists and lawyers across Europe still discussing the subject. Finally, the comparison with innovative procurement markets in the US is not convincing, as it is not known what the dollar size of the innovative procurement markets is, precisely because of the definition problem described above. Also, it is well known that private spending on R&D and innovation is a much higher percentage of GDP in the US than it is in European countries, as a result of a different legal, fiscal and economic structure. Hence, taking the situation in the US as a desired state for the EU is hardly a convincing goal.

In order to make innovative procurement work, the line should be drawn between regular and innovative procurement for procurement specialists, policymakers and evaluators to be able to know the difference and adjust their working methods accordingly. Another improvement required to facilitate Member States' governments is to provide insight in the various government interventions that increase innovative procurement, such as direct procurement of innovative products and services, pre-commercial procurements and collaborations between economic buyers and suppliers, as well as catalytic procurement.[22]

Although there is a monitoring website on each of the Innovation Union commitments, the monitoring data for Commitment no. 17[23] are qualitative at best and give no indication as to the extent to which the € 10 billion target was met in 2011, that target being as arbitrary as it may. The website of the Commission's DG Enterprise[24] on the subject specifies that several pilot projects have been started in the course of 2011, but reports no results on the topic. The most promising initiative to date has been the introduction of the "innovation partnership" as a public procurement procedure in the proposed new directive on public procurement (SEC (2011) 1585 final / SEC(2011) 1586 final).

Although part of the Innovation Union commitment – once it is defined and operationalised better – could be fulfilled by the JPIs, the remainder to make up the €10 billion in innovative products and services should be made up by procurement activities by the individual Member States and their regions.

The part of innovative procurement and RDI support that is the responsibility of the individual Member States, could be based on the same Strategic Research Agenda (SRA) that lies at the basis of each of the JPIs. For industrial sectors in a Member State that do not have their own SRA, one could be drawn up and aligned to EU-level objectives before funding is made available to RDI programmes. This process will allow maximum synergy between funding at the EU and Member State level.

[22] Definitions of relevant terms are provided on page 7 of Edquist, C. (2009). Public Procurement for Innovation (PPI) – a Pilot Study. Working Paper no. 2009/13. http://www.circle.lu.se/upload/CIRCLE/workingpapers/200913_Edquist.pdf.
[23] The monitoring data on Commitment no. 17 are available at http://i3s.ec.europa.eu/commitments.html;i3sid=Sp7RP4Qp1lHWRjJtZ9h7GlL0T4zLJJv5y89mnZJT7kpnR0hzFMJy!-1889792312.
[24] http://ec.europa.eu/enterprise/policies/innovation/policy/public-procurement/index_en.htm, visited on 13 February 2012.

Using the European Semester to promote RDI

In comparison to other policy areas, recommendations in the area of RDI policy have been few in the 2011 European Semester.[25] Also, they were aimed at only two Member States, both of which were middle-ranking countries in the area of RDI.[26] This is echoed by the Commission's Communication on the 2011 European Semester, which only mentions research in general terms.[27] Hence, the potential for using the European Semester to promote RDI has only been used to a very limited extent.

Complementing Cohesion Policy funding with Horizon 2020 funds

Stakeholders are generally in favour of complementing Horizon 2020 funds with Cohesion Policy funding, but the modalities they prefer vary. All agree that Cohesion Policy (CP) funds have traditionally been focused on infrastructure and supporting weaker regions, where FP funds were awarded to fundamental research projects based on excellence. Therefore, a discrepancy needs to be overcome if these types of funds are to be aligned in the future.[28] Indeed, while it could be considered that the objectives of the two programmes are fundamentally contradictory (excellence versus cohesion), an emerging view is that Cohesion funds can serve as a stepping stone to future excellence by helping regions to build up the necessary capacity and infrastructure.

The following main views on complementing Horizon 2020 funds with CP funds emerge from the public consultation:[29]

- Horizon 2020 should be aimed at financing RDI projects, while CP funds are aimed at developing the infrastructure that is conducive to RDI (by financing research facilities and equipment ("test beds"), training, license fees, and providing improved access to research funds for local partners). This also implies a distinction between more fundamental research funded by Horizon 2020 and applied research funded by the CP, as well as reconceptualising part of the CP funds as "enabling excellence" by providing the necessary infrastructure for top-shelf RDI activities.
- CP funds are targeted toward "smart specialisation", so that the sustainability of EU-funded research is increased by state-of-the-art production sites. These sites would reside in regional centres of excellence that result from a bottom-up growth of "clusters of clusters"[30], which in turn would be the result of targeted investments by the CP in regional "Grand Challenges", cross-border clustering, and capacity building.
- In addition to the CSFRI and the CSFCP, all European funds (including research funding under the Common Agricultural Policy and EU fishery policies, as well as DG Energy's SET-Plan and Research Fund for Coal and Steel) should be included in the focus on innovation. The EU should only finance innovative solutions, thus making all its funds conducive to innovation.

[25] The workings of the European Semester are introduced on http://www.consilium.europa.eu/policies/european-semester/how-does-the-european-semester-work?lang=en.
[26] Derruine and Tiedemann (2011). *The first European Semester and its contribution to the EU2020 Strategy*, The Greens/EFA, pp 42-43, consulted at http://www.sven-giegold.de/wp-content/uploads/2011/10/Europ.-Semester-contribution-to-EU2020.pdf.
[27] European Commission (2011),Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the regions, *Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012*, 10 pp. consulted at http://ec.europa.eu/europe2020/pdf/communication_en.pdf
[28] European Commission (30/11/2011), Public Consultation for Horizon 2020: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 8
[29] European Commission (30/11/2011), Public Consultation for Horizon 2020: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 8
[30] Foray, D. David, P. A. & Hall, B. (2009) The Knowledge Economists Policy Brief n° 9 of June 2009 on Smart Specilisation, 5 pp. Consulted at http://ec.europa.eu/invest-in-research/pdf/download_en/kfg_policy_brief_no9.pdf.

2.2.3 Pooling Member States' resources through Joint Programming Initiatives

The goal of Joint Programming has been described as follows by the Commission: "The overall aim of Joint Programming is to pool national research efforts in order to make better use of Europe's precious public R&D resources and to tackle common European challenges more effectively in a few key areas. It will follow a structured strategic process whereby Member States agree common visions and strategic research agendas to address major societal challenges."[31]

In 2008, the Commission, at the request of the Council, called for more joint programming in research, coining the term "Joint Programming Initiatives" (JPIs) for the implementation of Strategic Research Agendas (SRAs) by or on behalf of a group of public authorities. According to the vision of the Commission, "The full tool box of public research instruments (national and regional research programmes, Intergovernmental research organisations and collaborative schemes, research infrastructures, mobility schemes…) should be explored and used to implement the individual Joint Programming Initiatives. The implementation may or may not include EU funding and instruments through the Framework Programme."[32]

Since 2008, 10 JPIs have been identified and are currently in various stages of implementation:[33]

- Neurodegenerative Diseases/Alzheimer's
- Agriculture, food security and climate change
- A healthy diet for a healthy life
- Cultural heritage and global change
- Urban Europe
- CliK'EU
- More years, better lives
- Antimicrobial resistance
- Water challenges
- Healthy and productive seas and oceans

While the JPIs are concerned primarily with agenda setting, the Joint Programme on Neurogenerative Diseases (JPND) – which was the first to be launched – has already reached the stage of making proposals to the Member States for actual actions (i.e. research projects implementing the research agenda). The experiences thus far with the JPND show several interesting learning points:

- Like with FP7, the focus should be on excellence exclusively in order to best and most efficiently meet the grand challenges. Unlike FP7 however, participation of researchers in the agenda setting of the JPND takes place on an individual basis. As a result participation by researchers from all Member States is easily possible an independent of a Member State's overall research capability.

[31] European Commission (18/10/2011), *Joint programming*, consulted at http://ec.europa.eu/research/era/areas/programming/joint_programming_en.htm

[32] European Commission (2008), *Towards joint programming in research: Working together to tackle common challenges more effectively*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SEC (2008) 2281, Page 10.

[33] European Commission (18/10/2011), *Joint programming*, consulted at http://ec.europa.eu/research/era/areas/programming/joint_programming_en.htm

- The focus on excellence also has inspired the decision to award one vote to each Member State that is represented on the JPND's Management Board. This keeps decision making as efficient as possible.

- It could be beneficial to develop procedures for accepting funds from non-EU countries into a Joint Programme. In the case of the JPND, Canada has requested to participate.

- One challenging aspect of the JPI approach is that Member States participate on a voluntary basis. This implies that in times of budgetary difficulties, it may not be possible to fund all proposed actions under the research agenda that is developed. In such cases, a procedure to facilitate allocating funds from FP7 successors or other programmes to the actions that cannot be funded by the participating Member States could be a solution. This would require a legal structure for the Joint Programme that makes it possbile to receive EU funds and award those funds to research projects, in the spirit of Article 185 of the Lisbon Treaty[34].

Most stakeholders support the spirit of joint programming and welcome the initiatives to pool Member States' resources. One stakeholder suggests that JPIs bring most value-added when aimed at areas where European research is currently fragmented and where technology is not the main driver. Another mentions that public authorities, in addition to funding the research of JPIs, could also act as (launching) customers for the products and services that result from it.[35]

In addition to the benefits of greater leverage of public research funding and mustering a sufficient scale in funding to address grand challenges (as foreseen by the Commission), important benefits of joint programming are an increased competitiveness of the European Research Area in the global arena, as well as reduced complexity in the international cooperation between Europe and partners/regions in other parts of the world.

There are similarities between Joint Programming Initiatives and other forms of European coordination in the area of RDI, such as common calls under FP7, Joint Technology Initiatives (JTIs) and ERANET. These similarities evoke learning points for the JPIs based on experiences with other coordination mechanisms. The main learning points (and therefore challenges for the JPIs) identified are:[36]

- National funding rules often prohibit funding foreign entities. When cross-border cooperation does take place using national funds, the funding is mostly given to the Member State's "own" national participant in that cooperation. Added to this is the perceived tendency of the Community approach in pursuit of the common interest to clash with the intergovernmental approach in pursuit of national interests during the selection process.
- Pooling resources demands that the Member States that contribute to the pool relinquish some of their national authority in order to contribute to the long-term benefit of the European Research Area. National political circumstances may hamper this, limiting the potentially available funding for new JPIs.
- Some Member States have more experience than others in aligning their administrative requirements and procedures with the EU and/or other Member States. This can reduce the

[34] The text of Article 185 is available at http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-the-functioning-of-the-european-union-and-comments/part-3-union-policies-and-internal-actions/title-xix-research-and-technological-development-and-space/473-article-185.html.

[35] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 4

[36] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 4

quality and efficiency of JPI funding and therefore hamper the research programmes supported.

- Member States can be expected to be proponents of JPIs in which they take part, but are less likely to be in favour of EU funds awarded to JPIs in which they are not a partner country. Hence, even if a group of Member States agrees to propose a JPI, the EU contribution is by no means certain and may turn out to be a "deal breaker". As described above, making a contribution to a Joint Programme is voluntary even for the countries that do support it. This makes the funding arrangement different from other RDI programmes such as FP7 or CIP, as those are entirely funded from the EU budget and not directly from by the Member States, which guarantees their funding from the beginning of the programme period.
- Pooling resources in the context of the JTIs has in some cases led to more rather than less bureaucracy and complexity from the perspective of the funding's beneficiaries.
- Oversubscription levels are unbalanced between countries and budgets running out in one of more partner countries can cause entire consortia to collapse and require complicated repair attempts.

In addition to these challenges that result from the experiences with other coordination mechanisms, the participation of industry stakeholders in developing JPIs could have been better. The Commission's seminal publication about joint programming mentions that "industry – and other stakeholders - should play a role in the consultative process and in the implementation of specific JPIs."[37]

The above-mentioned considerations form the background for the recommendations made by the stakeholders:[38]

- It should be the responsibility of Member States to ensure the coherence, complementarity and consistency of the different RTDI activities led at regional or national levels with those in the EU programmes. It may be necessary to incentivise or support some or all Member States (for example those that have relatively small national research systems) to increase their participation in JPIs.
- Joint programming should be targeted at sectors or areas that are currently fragmented in Europe. Areas where coordination is already high have relatively easy access to existing European funds.
- Critically evaluating the JPIs' award structures and procedures for the funds they control is warranted in due time. Similarly, the lessons learned from other coordination mechanisms should be incorporated in the workings of the JPIs. In this respect, the "lead agency" approach used in the cooperation between Austrian, German, Slovenian, and Swiss funding agencies is specifically mentioned in addition to common calls under FP7, Joint Technology Initiatives (JTIs), and ERANET.
- JPIs should exist in parallel to the existing EU research funding facilities and both should be prevented from cannibalising each other's funds. Both JPIs and other EU research facilities should both cover the full innovation cycle.
- In order to allow for inclusion of researchers from non-JPI states in sub-sections of the topic, the EU should be required to co-finance at least some part of each JPI.

[37] European Commission (2008), *Towards joint programming in research: Working together to tackle common challenges more effectively*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SEC (2008) 2281, Page 2.
[38] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 4

- The selection of JPI topics should be subjected to the same involvement from the industry and the scientific community as is currently employed for Framework decisions.
- When considering the trade-off between advantages of coordinated funding and individual Member States' financing facilities, timescales are important, especially in digital content driven industries such as games. JPIs may lead to long delays between the initial research idea and the start of a project to develop it. In such rapidly changing markets this can lead to projects being funded which have little or no market potential. Synergies between European, trans-national and national projects need to be improved and results of all projects should be more visible at an EU level.

There is no consensus about the number of Member States that should be required to support a JPI. Some stakeholders want the number to be "at least 10 or 15" or even more (to ensure that only the real "grand challenges" receive JPI funding), while others want to keep the minimum as low as possible to ensure that also key issues on which only a small number of Member States have a research focus can receive funding.[39]

2.2.4 Assisting Member States in building up excellence

The EU can best contribute to excellence at Member State level by providing good groundwork in R&D on critical technologies, so that specialisation in excellent niche areas will be possible at the level of Member States.[40] The current focus of the Commission on key enabling technologies (KETs) should contribute to this type of specialisation at Member State level.

Specialisation efforts will be increased further if the Cohesion Fund is directed towards evening out discrepancies in the research infrastructure between Member States. Remedying these discrepancies will, over time, allow all Member States to have their own technological niches and benefit from EU support for KETs at the national and regional level.

Given the strong focus on excellence in FP7 and the fact that the research funded by it is conducted by researchers in the various Member States, the EU is already contributing to the build-up of excellence at the national level. This might be taken further by making more funds available for specific research institutions that are deemed excellent, instead of multinational consortia. On the other hand, some stakeholders indicate that the excellence is driven largely by the international cooperation. Hence, if multiple centres of excellence are available on a certain topic, we advise to maintain the model of consortia that is currently the norm.

In addition to the efforts of the EU, the Member States are responsible for excellence in education, as all research starts with highly educated researchers. Stakeholders are unanimous in their opinion that this is and should remain the responsibility of Member States.[41]

[39] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 4

[40] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 22

[41] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 22

2.3 RECOMMENDATIONS

The previous section provided a brief overview of the key challenges regarding the synergies between EU and national RDI programmes. Table 2-1 offers a concise overview of measures proposed to tackle the identified challenges.

Table 2-1: Recommendations for the CSF on synergies between EU and national RDI programmes

ISSUE	SPECIFIC MEASURES
Maximising the benefit of acting at the EU level	• Reducing the amount of administrative burdens, as well as increasing the visibility and transparency of EU funds from the perspective of their target audience, will further increase their effectiveness. • Increasing the availability and visibility of outcomes of EU-funded projects even further will allow for more commercial and societal applications of research results. • Increasing the ***amount of EU funding*** will lead to more co-financing from other (private and public) sources. Increasing ***funding rates*** (e.g. from 50% to 75% of project costs) will do the opposite, as it will lead to lower amounts of co-financing being leveraged by the same amount of EU funds. Hence, funding rates should only be increased after careful analysis of secondary effects, e.g. the economic spin-off of increasing SME participation in the FP7 Aviation programme. • EU funding should be limited to areas that national or regional funding cannot cover, because they rely on transnational cooperation to achieve effectiveness.
Leveraging other sources of funding	• On an operational level, Member States' funding agencies could use ERC evaluations of research proposals as a benchmark for selecting high-quality projects that are in line with EU strategic RDI objectives. • Many sources of EU funding could be aligned to foster innovation, including Structural Funds and Cohesion Funds. When aligned properly to the focus on innovative solutions and excellence, these funds are expected to drive smart specialisation in regions and clusters. • Innovative procurement at the Member State level should be aligned with EU Strategic Research Agendas for each industry. If no SRA is available for a specific industry, one should be compiled to direct innovative procurement efforts. • In order to make sure that the current KETs will remain the most relevant ones in generating technological spin-off toward key innovative sectors, we recommend that the relevance of the set of chosen KETs be subject to evaluation around 2018, so that a timely redirection of efforts and resources toward new KETs will be possible before the start of the new programme period 2021-2027. • The first European Semester of 2011 has hardly been utilised to address RDI policies at the Member State level. Hence, there is much room for improvement. Any recommendations made through the European Semester should be comprehensive for Member States to take them seriously, and not be limited to a sub-group of apparently randomly selected Member States.
Pooling Member States' resources through Joint Programming Initiatives (JPIs)	At this stage, the experience with JPIs is still too limited to draw conclusions on their contribution to the effectiveness and efficiency of Member States' RDI funds. However, the following recommendations can already be made regarding the functioning of JPIs: • In order to allow for inclusion of researchers from non-JPI states in sub-sections of the topic, the EU could be required to co-finance at least some part of each JPI. • Joint programming should be targeted at sectors or areas that are

ISSUE	SPECIFIC MEASURES
	currently fragmented in Europe. Areas where coordination is already high have relatively easy access to existing European funds. • Critically evaluating the JPIs' award structures and procedures for the funds they control is warranted in due time. Similarly, the lessons learned from other coordination mechanisms should be incorporated in the workings of the JPIs. • Based on a formal evaluation of the Joint Programming approach, it should be determined whether incentives or support for some or all Member States is required to increase the participation in JPIs. The evaluation should also include the question if an optimal number of participating Member States in a JPI can be determined and whether or not this number should be covered by the rules governing JPIs. • The selection of JPI topics should be subjected to the same involvement from the industry and the scientific community as is currently employed for Framework decisions.
Assisting Member States in building up excellence	The EU already contributes to excellence at the Member State level by funding researchers and research institutions that are active in a national context. Its contribution to excellence could be increased by allowing researchers the best framework conditions possible. The following suggestions are made for this: • solid EU Intellectual Property Law; • a simple and transparent project management process associated with innovation funding, to prevent distraction from the project content due to administrative burden; • pan-European e-infrastructures for researchers; • benchmarking of Member States, research institutions and perhaps individual researchers in a transparent manner.

3. RQ2: IDENTIFYING AND ASSESSING DIFFERENT INSTRUMENTS PROVIDING BUDGET SUPPORT TO INNOVATION AND RESEARCH

KEY FINDINGS

- FP funding levels should be raised as **low success rates can act as a strong deterrent for applicants.**
- Funding should centre on **cross-border projects** that address **societal challenges** and where **critical mass** is required.
- **Barriers to participation** in FP programmes should be lowered by simplifying procedures in general and with a **specific attention to first-time, EU-12, start-up and SME applicants.**
- The FP should pay more attention to the **production of project outputs** and to their dissemination **and economic valorisation.**
- The **Euratom budget for fusion and, more importantly, for fission, must be scaled up** in order to develop the required technology to tackle the challenges of carbon emissions reductions, security of supply and competitiveness put forward by the Sustainable Nuclear Energy Technology Platform Strategic Research Agenda.
- The organisational structure of the **ITER** should be made **more effective.**
- The business support section of the **CIP** should be strengthened, with **increased support to SME access to finance** and to **innovation and commercialisation.**
- The **EIT** must set up strong monitoring and evaluation procedures to measure its contribution to innovation through integration of the education, research and business sectors. Without clear **demonstration of positive effects,** there will be little support for the further development of the EIT into the future.

3.1. RATIONALE

As pointed out in the EU Budget Review[42], to achieve Europe's 2020 goals in the areas of research, innovation and education, in times of economic constraint, EU funds must focus on instruments with proven efficiency, that have clear European added-value, and that are able to leverage other public and private sources of funding.

What's more, future EU policies and instruments for research and innovation must respond to the key issues raised in the vast range of assessments and consultations with regard to current and future EU policies and instruments for research and innovation (see Table 3-1), such as:

- Excessive red tape and administrative burden;
- Fragmentation of research and innovation policies at EU level and insufficient cross-border coordination;
- Lack of focused support for innovation and activities close to the market;
- Insufficient contribution of research and innovation to tackling major societal challenges such as aging, energy dependence, climate change etc.;
- Need to strengthen the science base;
- Insufficient innovation capability of firms, in particular SMEs;

[42] European Commission (2010), *The EU Budget Review*: 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, SEC (2010) 7000, 29 pp.

Table 3-1: Stakeholder consultation instruments

Different means employed to consult stakeholders and interested parties on EU research and innovation policies and instruments[43]
Public consultation on Green Paper describing the Common Strategic Framework for Research and Innovation
Public consultation on the successor to the Competitiveness and Innovation Framework Programme (CIP)
Public consultation on the European Institute of Innovation and Technology, September 2011
FP6 ex-post evaluation (chair Ernst Rietschel) with view on future, February 2009
FP7 interim evaluation (chair Rolf Annerberg), November 2010
Interim Evaluation of the Competitiveness and Innovation programme, March 2010
Final Evaluation of the Competitiveness and Innovation Programme, December 2011
External Evaluation of the European Institute of Innovation and Technology (Ecorys), May 2011 CIP: interim and final evaluations, ex-ante evaluations and impact assessment studies for the ICT-PSP, IEE and innovation-related parts of the EIP programme
Large stakeholder conferences for successor of CIP (Jan 2011) and CSF (June 2011) held in Brussels
Expert Panels and Stakeholder Conferences for ERC, Marie Curie, EIT, …
EU Presidencies: Lund conference on future of EU research (Sweden, July 2009); FP7 interim evaluation conference (Hungary, February 2011)
Wide range of position papers on future EU research and innovation funding during EU budget preparations
Thematic stakeholder consultations: ICT, transport, health, biotechnology, space,…
Discussion with representatives of national administrations (CIP Joint Management Committees meeting, meetings of EIP Management Committee)

In November 2011, the Commission adopted a proposal for a new Framework Programme – "Horizon 2020"[44] – bringing together all existing EU research and innovation funding (including the FP for Research, the innovation related activities of the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT)), in an approach that has been widely recognised by stakeholders and supported by the European Parliament[45], the European Economic and Social Committee[46] and the European Research Area Committee.[47]

In designing this future Framework, it will be essential to build on the extensive experience accumulated through the implementation of the FP, the CIP and the EIT. At the same time, the effectiveness of each individual instrument and sub-component towards the achievement of specific policy goals should be properly assessed before taking it forward.

The purpose of this section is to provide an overview of the achievements of existing programmes, with a particular focus on the weaknesses identified by stakeholders, with a view to building on lessons learned and identifying areas for improvement under the future Framework Programme.

[43] European Commission (2011), *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*: Commission staff working paper, SEC(2011) 1427, p.4

44 European Commission (2011), *Horizon 2020 - The Framework Programme for Research and Innovation*: Communication from the Commission, SEC (2011) 1427, 14 pp.

45 European Parliament Report on the Green Paper: From challenges to opportunities: towards a common strategic framework for EU research and innovation funding, (2011/2107(INI),
http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2011-0302&language=EN

46 European Economic and Social Committee Report on the Green Paper: From challenges to opportunities: towards a common strategic framework for EU research and innovation funding, CESE 1163/2011 - INT/571

47 ERAC Opinion on the " Common Strategic Framework" for Research, ERAC 1210/11

3.2. KEY FINDINGS

3.2.1. FP7 Achievements & challenges

The FP7 provides a €50.5 billion budget for the period 2007-2013 in support of research, technological development and demonstration activities across the EU. Its activities are implemented under four Specific Programmes.[48]

- the *Cooperation* programme (€32.4 billion), which aims to support the whole range of research activities carried out in trans-national cooperation according to various themes;[49]
- the *Ideas* programme (€7.5 billion) to support investigator-driven "frontier research" carried out by individual, national, or transnational teams in competition at the European level;
- the *People* programme (€4.7 billion), in support of training and career development of researchers, referred to as "Marie Curie" actions;
- the *Capacities* programme (€4.1 billion) for support to research infrastructures; research for the benefit of Small and Medium Enterprises (SMEs); regional research driven clusters; unlocking the full research potential in the EU's "convergence" regions; "Science in Society" issues; and horizontal" activities of international co-operation;
- A further €1.7 billion will be allocated to support the non-nuclear direct scientific and technical actions carried out by the Joint Research Center.

The FP7 programme has been subject to an extensive evaluation by an independent Expert Group, appointed by DG RTD in the spring of 2010. This interim evaluation concludes that the FP plays a pivotal role in promoting an 'Innovation Union' in accordance with to the objectives of the Europe 2020 strategy. The evaluation was very positive about the extent and ambition of FP7, the integrity of its management and the "overall outstanding quality of the research that it supports".

Effectiveness

The Expert Group finds that FP7 has succeeded in its goal of promoting excellence, attracting tens of thousands of first class EU and international researchers to participate in thousands of top-level, mixed (industry, universities, research institutes), cross-border projects, many of which would have been postponed, scaled down or even abandoned had EU financing not been available. The quality of proposals is generally found to be excellent, due to the healthy competition for funding, so that "the majority of the research is world-leading in terms of its originality, significance and rigor".

There is wide-spread agreement that projects have translated into positive macroeconomic, social and environmental impacts and produced durable "structuring effects" on the EU research and innovation landscape. The FP has led to the production of new knowledge, new technologies, while also contributing to improving the quality of training and the mobility of researchers.

In order to consolidate these gains and make impacts durable, the Expert Group recommends that the level of funding be, at least, maintained. "The competitive challenges that the EU faces require sufficient investment in long-term economic development and there should be no reduction in funding for FP7 in its latter stages." If there are no reductions in budgets, the FP7 will attain a "reasonable level of funding per year" in its last year, which should be regarded as a minimum for FP8.

[48] European Parliament (2011), *Factual Background Note on Research and Innovation Policy* for the meeting of the special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013, 18 pp.
[49] Health; Food, Agriculture and Biotechnology; Information and Communication Technologies; Nanosciences, Nanotechnologies, Materials and new Production Technologies; Energy; Environment (including Climate Change); Transport (including aeronautics); Socio-economic Sciences and the Humanities; Security and Space

Indeed the question of funding is essential to keep up the FP's momentum. Lack of funds is already causing many individual proposals adjudged to be excellent to be discarded. Coupled with the substantial effort needed to prepare a proposal, current low success rates in obtaining funding can act as a powerful deterrent to applying, especially for SMEs. The FP must remain open to new entrants and ideas (in particular first time, start-up, SMEs and EU12 applicants), so that dominant paradigms and actors are challenged. At the same time it is necessary to avoid giving insiders a too easy ride as the excellence criteria should remain at the centre of the FP

In fact, the evaluation reports believes the criterion of excellence should be strengthened with regard to *Cooperation* projects, pointing to the risk that the importance attached to the consortium obligation in the evaluation process could restrain excellence by allowing for proposals that score high on the other two sets of criteria to outscore the scientifically best.

On the other hand, there is a risk that placing too big an emphasis on the excellence criterion could result in support to projects that are out of touch with the societal challenges we face today.

What's more, the strong concentration of research funding in a number of countries, and the relatively lower success rates of researchers located in the new Member States, raise questions about whether the application of the excellence criterion allows sufficient scope for developing the potential of researchers from these countries. To address this situation, one solution could be to couple the FP with other EU instruments (such as the Structural and Cohesion Funds), so as to encourage capacity building in these domains and increase participation from underrepresented Member States.

The Expert Group[50] also finds that the FP has not succeeded in attracting talent from third countries or strengthening Europe's international linkages. The FP7 should be opened to international cooperation and strategies for various partner countries must be established, especially as other regions, such as Asia, are rapidly strengthening their research and innovation capacities. Besides, there is a continuing necessity to link up the ability of European research and innovation with other regions, markets and research and innovation agendas and to meet global desires for innovative solutions to grand challenges.

Relevance

The limitations in funding mean that EU intervention should focus on matters where critical mass is essential for reaching objectives and where cross-border solutions are required to realise breakthroughs. At the same time it is vital to assign sufficient resources to R&D issues which promise far-reaching innovations and that can help to tackle the "Grand Challenges" that the EU is confronted with.[51]

In this sense, an improved balance between top-down approaches to research (i.e. where the agenda is pre-set by policymakers) and bottom-up approaches (i.e. where activities are driven by researchers and innovators), with more emphasis on the latter, could help to address societal challenges in a more effective manner by encouraging creativity and ingenuity at the projects' and researchers' levels.

When looking at the mix of funding instruments in FP7, there appears to be scope for some adjustments. For instance, the limited success rates in a number of the Marie Curie actions, compared to other action such as the Initial Training Networks (ITNs) imply that some level of rebalancing of resources within the specific programme might improve its performance. Indeed, the importance of research training is namely demonstrated by the considerable excess demand for ITNs. What's more,

[50] European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, 91 pp.
[51] European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, p.50

as the third component of the Knowledge Triangle, the general view is that education should constitute a significant part of FP7 and that the connections between research and innovation should be complemented with research training. In this sense, the significance of the *People* programme for developing the potential for scientists from EU12 should also be stressed.

The Expert Group also highlights research infrastructures (including e-infrastructures) as a particular area that deserves increased attention and resources. Indeed, these are considered as essential for the Knowledge Triangle, in particular Integrated Infrastructure Initiatives that have the most potential to generate added value at EU level. According to the Commission, further efforts to enhance these infrastructures could be achieved through a better alignment of the FP with funding instruments from the European Investment Bank and Structural Funds (see also Questions 3 and 4).

Another area that is deemed to be addressed in an unsatisfactory manner by the FP7 is that of the commercial utilisation of research results for innovative activities, particularly in domains where there could be an opportunity to enhance the industrial competitiveness of Europe. The impact assessment of SMEs in FP5 and FP6 confirm this finding, revealing that SMEs perceive the FP as a means to explore promising applications, to improve their R&D knowledge or to network, rather than as a means of improving their business results. This is due to the fact that it remains too difficult to exploit research results as they are too pre-competitive to be commercially practicable (see also Question 5).

This coupled with the fact that processes for participation are complex and burdensome, could partially explain why industry involvement in FP7 is far from optimal and requests rethinking, in particular with regard to SMEs. Indeed, industry needs to be able to react quickly to market opportunities and developments. According to the Commission, the recent approach to align FP funding priorities with the technology needs of industry, namely through encouraging European Technology Platforms and support to Joint Technology Initiatives and Public-Private Partnerships, *"have increased the industrial relevance of FP research and helped industry sectors to align behind shared research strategies. Nevertheless, future EU programmes should strengthen this, along with stronger knowledge transfer mechanisms and the launch of European Innovation partnerships to bridge the gap with demand-side measures".*[52]

Under the current FP7, research for SMEs remains underfunded. Only 10%-12% of qualified projects were funded by the EU, creating frustration and high costs for unsuccessful but qualified applicants. To address this issue and with a view to reaching its 15% target for SME participation in thematic research, the EC has launched a series of SME-specific calls, leading to a significant increase in SME participation. This approach is seen as a breakthrough by SMEs, which are in need of a specific approach that covers all of their needs.

SMEs stress the need for an integrated programme covering the full innovation cycle of SME business, such as the US Small Business Innovation Research Programme (SBIR). Such a programme should provide seamless support throughout the innovation chain, including during the feasibility phase (support for technical and economic feasibility studies), the research and demonstration phase, and the commercialisation phase, through access to adequate financial support.

Efficiency

In terms of overall programme efficiency, one notable aspect relating to the FP is that, in many areas, success rates are relatively low. This means that a substantial amount of research resources are wasted in failed applications that may be worthy of funding. Simultaneously, this low success rates reflects the high standards of the Programme and its strong attraction to researchers. A number of national funding policies have reacted to this trend by providing complementary funding.

[52] European Commission (2011), *Response to the Report of the Expert Group on the Interim Evaluation of the Seventh Framework Programme for Research, Technological Development and Demonstration Activities and to the Report of the Expert Group on the Interim Evaluation of the Risk- Sharing Finance Facility*: Communication from the Commission, 10 pp.

Nevertheless, the question is raised about whether the call procedures must be enhanced to reduce the waste, possibly by introducing two-stage calls.[53]

In terms of efficiency of procedures, one strong concern is that a lot of projects take a very long time to start up, while the regular amount of time required from the end of a call to the signing of a research grant is approximately a year. As noted by the Expert Group, this is high and unquestionably offers room for improvement, but is in general not out of line with national practice. Nevertheless, the fact remains that there are huge differences in time to grant (TTG) across the various components of the framework programme. For instance, within *Cooperation*, the TTG in the (substantial) sub-themes of environment, transport and security (in order of time taken) is around double those of the sub-theme of ICT. The evaluation has not been able to find credible reasons for these differences. The conclusion drawn by the interim evaluation of the FP7 is that this might be amenable to changes in practice in the Commission or the executive agencies, and that the domains exhibiting overly high TTG at this time are expected to improve in the future. The self-assessments by Commission confirm that it may be worth considering the scope for having parallel procedures to speed up time to contract.

Simplification

Regardless of the efforts that have been made to attend identified issues, the interim evaluation finds that complexity still deters researchers and limits industry participation, in particular for small businesses, more easily discouraged by complex procedures and contract delays.[54]

Some recent initiatives under FP7, subsequent to the ex-post evaluation of FP6, have been undoubtedly been successful in reducing administrative burdens. Nevertheless, the general view is that "a much more radical approach is now needed to attain a quantum leap in simplification. This issue is addressed further in Research Question 6.

Governance

There is an ongoing reflection on whether there should be a sharper division between strategic decisions and implementation, where the Commission, working with the Council and the Parliament, would be in the lead on the major political and policy decisions, while routine administration and monitoring of projects and implementation would be undertaken by agencies such as the ERCEA and the REA, once they overcome some of their initial "teething-troubles".

It is further pointed out that considerable further effort is needed to achieve effective coordination of research between the Member State and EU levels. This issue is addressed further in Research Question 1

3.2.2. FP 7-Euratom Achievements & challenges

The Seventh Framework Programme for "nuclear research and training activities" (FP 7-Euratom) provides €4 billion for direct (Joint Research Centre (JRC) Euratom) and indirect actions. The bulk of the budget goes towards fusion energy research, most of which, in turn, goes to ITER, an international project for the construction of the fusion energy source. Yet, the organisational structure of the ITER project was highly criticised in the Interim Evaluation of the programme as ineffective and unable to reach its objectives swiftly and cost-effectively. Indeed, the estimated cost of ITER has nearly tripled, so that the expected Euratom contribution to the project has risen from €2.7 billion to €5.9 billion since the initial budget was agreed 6 years ago. The overrun was seen to stem partly from the procurement method chosen for the ITER construction and the need to implement design changes

[53] European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, 91 pp.
[54] European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, 91 pp.

during the construction phase due to the incompleteness of the initial design, and R&D carried out after the original design was agreed on. However, a large part of the overrun was also put down to the inefficiencies in the management structure. It was felt that a stronger and more concentrated leadership, with less interfaces, and based on best practices found in the field of nuclear power plant construction or other large international projects, was required to guarantee positive results and to reap the benefits of FP7-Euratom investments. [55] In the meantime, a new, streamlined management structure was introduced in 2011 and should allow for less complexity and increased efficiency. In terms of financial resources, the ITER will benefit from additional funding transferred from the common agricultural policy and from the administrative budget to cover the overrun.[56]

Another concern is that the budget for fusion, but more importantly, for fission, will be largely insufficient to develop the required technology to tackle the challenges of carbon emissions reductions, security of supply and competitiveness put forward by the Sustainable Nuclear Energy Technology Platform Strategic Research Agenda. The EU added-value is great, given the nature of the research. Indeed, the costs, timescale and inherent project risk are huge so that it is doubtful that any one country could consider undertaking it independently.

3.2.3. CIP Achievements & challenges

The Competitiveness and Innovation Framework Programme (CIP) has a budget of €3.6 billion and aims to encourage the competitiveness of European industry, with SMEs as its main target. It is divided into three operational programmes, each of which has its specific objectives, aimed at contributing to the competitiveness of enterprises and their innovative capacity in their own areas, such as ICT or sustainable energy:

- The Entrepreneurship and Innovation Programme (EIP)
- The Information Communication Technologies Policy Support Programme (ICT-PSP)
- The Intelligent Energy Europe Programme (IEE)

The CIP has been subject to an extensive interim evaluation in 2010 and a final evaluation in 2011 by external contractors, appointed by DG Enterprise an Industry. Besides, an external evaluation has been conducted on each of the sub programmes within CIP in 2011. Furthermore, a public consultation on a possible successor to the Competitiveness and Innovation Framework Programme was undertaken in 2011, consisting of an online survey, a public stakeholder conference and meetings with Member State and CIP representatives.

Effectiveness

The evaluations of the CIP and its sub-programmes are globally extremely positive. The general message that emerges from the CIP Public Consultation is nevertheless "Don't fix what is not broken". Indeed, the CIP is perceived to have played an important role in increased innovation by SMEs thanks to its strong business and market orientation via:

- The financial instruments (that represent around 1/3 of the entire CIP budget and over 40% of the CIP-EIP programme), which are seen as highly relevant and with impressive leverage effect.[57]
- The pilot and market replication projects related to eco-innovation, which have proved very successful and could be strengthened and extended to other areas of the programme.

[55] European Commission (2010), *Interim Evaluation of the indirect actions of the FP7 of the European Atomic Energy Community (Euratom) for nuclear research and training activities (2007 to 2011)*, 76 pp.
[56] Brand, C. (02/12/2011), *EU reaches deal on ITER funding*, EuropeanVoice.com consulted at http://www.europeanvoice.com/article/2011/december/eu-reaches-deal-on-iter-funding/72837.aspx
[57] European Commission (2011), *Public consultation on the future EU support to competitiveness and innovation*: Final Report, p. 3

- The business innovation and technology transfer support services via the Enterprise Europe Network and the IPR actions, which stakeholders value highly although different views were presented on its possible future focus: on one hand, concentration on core business was supported, on the other, the need to also expand its services, for example to support the internationalisation of SMEs, was highlighted.

The recent 'Final Evaluation' of the EIP, IEE and ICT components of the CIP, find that the programmes are performing well and are on track to achieving the levels of activity anticipated in the CIP Decision and ex-ante impact assessment.

However, the Synergies Expert Group (SEG) study[58] finds that the CIP suffers from its very design as an agglomeration of a multitude of actions and programmes. "Two thirds of the operations financed under the 2011 work programme, i.e., 14 of the scheduled 21 actions, represent only 9% of the budget. Among these 14 actions, none amounts to more than 1.5% of the first pillar of CIP, the smallest representing only 0.08%. At such a low level of intervention, European added value is at best marginally achieved and synergies with some vigour are impossible to organise." [59] On the other hand the CIP Final evaluation highlights the important contribution of some of these small-scale CIP measures in responding to issues that were not apparent or that did not have a substantial profile when the framework for the CIP was being formulated.

Lastly, the evaluations underscore the potential to reinforce the leverage effect of the CIP by institutionalising and ameliorate its relations with other EU funding instruments.

Relevance

There was a wide-ranging consensus among the participants of the public consultation that the subject matters covered by the current pillars of the CIP are of crucial importance and have cross-cutting relevance, such as ICT, energy efficiency and eco-innovation. What's more, the economic and financial crisis has emphasised the importance of several of the concerns that the CIP was intended to deal with.

Since the bulk of the current instruments of the CIP work well, the stakeholders suggested to build a future programme on present accomplishments. Nevertheless, when looking at future programme orientations, a vast majority of stakeholders stated that, support to SMEs should be beefed up, namely by supporting the creation of a favourable business environment. When looking at support actions, it was recommended that these should concentrate on: 1) access to finance, particularly for SMEs; 2) promoting innovation and commercialisation. There was also much interest in new initiatives in the area of public procurement.

Efficiency

The CIP had a slow start, but many premeditated efficiencies are appearing at the moment and will undoubtedly further evolve over the outstanding period of the programme. For example, under the EIP there's increased efficiency reported of having one Network facing SMEs across Europe. There is also proof that enhancements in efficiency have been realized as a consequence of the responsibility of the Agency within the CIP and the simplified procedures of IEE II and ICT-PSP procedures.[60]

Concerning the management processes, the final evaluations of the sub-programmes state that stakeholders are in general satisfied with the programme management. It was nevertheless

[58] European Commission (2011), *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds*: Synergies Expert Group (SEG): Final Report of the expert group, 100 pp.
[59] European Commission (2011), *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds*: Synergies Expert Group (SEG): Final Report of the expert group, p. 28
[60] GHK & Technopolis (2010), *Interim evaluation of the Competitiveness and Innovation programme (2007-2013)*, 114 pp.

requested that the Commission rethink its procedures for promoting calls for proposals to ensure an appropriate balance between demand and rates of success or support given. Indeed, many applicants may lack experience in submitting applications and unsuccessful requests for funding correspond to an opportunity cost.

Simplification

The results of the stakeholder conference reveal that the CIP is perceived as being relatively simple and flexible in comparison to FP7 or to the Structural Funds. Nevertheless, administrative burden is still pointed out as an inefficiency across all three sub programmes. Therefore it is of crucial importance to carry on simplifying the administrative arrangements. These simplifications must be consistent with the related legal demands and sound financial management.

Governance

One of the observations of the interim evaluation of the CIP[61] was that "the existing governance structure is not working effectively in terms of delivering strategic guidance to the programme". The final evaluation of the CIP concluded that this is still the case. This is principally because the structure of the Programme concentrates on the sub-programmes and its specific activities.

There is also a need for improved monitoring and in particular more focus on results instead of outputs. This issue was highlighted throughout the initial Impact Assessment and the Interim CIP Evaluation as well in latest Final Evaluations and the Internal Audit Service report. There has been improvement in this domain, but the set up of a widespread monitoring system is not yet finished and requires further consideration with regard to the choice of suitable indicators.

3.2.4. EIT Achievements & challenges

The European Institute of Innovation and Technology (EIT) is an autonomous EU body with a mission to bring together the higher education, research and business sectors to stimulate world-leading innovation by facilitating transitions: "from idea to product, from lab to market, from student to entrepreneur".[62] It does this through its Knowledge and Innovation Communities (KICs), which are focused on the following topics: climate change mitigation (Climate-KIC), information and communication technologies (EIT ICT Labs) and sustainable energy (KIC InnoEnergy). A contribution of € 309 million was provided to the EIT from the EU budget.

The EIT underwent an extensive external evaluation by an independent expert group in 2011. The evaluation was based on a qualitative approach, including strategic consultations with a wide range of policymakers and stakeholders. Besides that, a public consultation was held on the EIT in 2011.

Effectiveness

Taken as a whole, the general view is that the EIT has made significant steps forward towards the objectives articulated in its establishing Regulation. It has succeeded in attracting business, educational and research bodies with a status of world-class excellence to the Knowledge and Innovation Communities (KICs), and in achieving a strong level of integration between these actors, namely thanks to the set up of a legal entity for each KIC. This is essential as the activities of the KICs are the main channel through which the EIT pursues its objectives.

At this early stage of the EIT's development, it nevertheless remains difficult to evaluate the exact impact of EIT and KIC activities. This is compounded by the fact that the EIT's workplans suffer from a

[61] CSES (2011), *Final evaluation of the Competitiveness and Innovation Framework programme*, European Commission, 101 pp.
[62] Website of the European Institute of Innovation and Technology, consulted at http://eit.europa.eu/

lack of indicators making it difficult to measure or report on its performance, or even to ascertain what it hopes to achieve. While the KICs have developed some indicators of their own in their Business Plans, there are disparities in their coverage of monitoring and performance indicators, so that although there are positive signs regarding their activities, the contribution of the KICs to these results of are not yet completely clear.[63]

For instance, the Higher Education institutions involved in the KICs already tended to have strong business relationships and a good record of collaborative activity. Ongoing monitoring will be required to assess the extent to which they have become an integral component of innovation chains. Also, although the KICs are bringing partners from different sides of the knowledge triangle together in a novel approach, it remains to be seen whether this will lead to the development of fully integrated practices throughout their activities.

A number of potential efficiency gains are starting to emerge as a consequence of the integration of the knowledge triangle. KIC partners point to improved communication between players and to the KIC's added-value in facilitating contacts between potential actors and knowledge spillovers, in assembling a critical mass of activities, in developing effective infrastructures and in structuring the sector where sectoral linkages are weak. These actions might lead to greater value realisation from investments and prevent the pointless replication of education, research and innovation activities. Nonetheless, the realised value of these activities is not evaluated as activities are only just starting to get underway.[64]

As can be seen, the EIT has, until now, concentrated on developing itself and the KICs, which is reasonable given its newness. However, observers now stress that they expect to see the EIT to begin to deliver concrete results. Without clear demonstration of positive effects, there will be little support for the further development of the EIT into the future.

Therefore, as pointed out by the Expert Group, the EIT's focus for the period 2011-2014 should be on consolidation and delivery of identifiable results. Throughout the subsequent multiannual financial framework the EIT should expand gradually by regular degrees or additions, with a continued focus on reinforcing the existing centres of excellence. Supplementary KICs, with comparable funding levels, should be considered (although, the Expert Groups believes this should not happen earlier than 2014).

In terms of geographic coverage, it could be envisaged to support the establishment of new co-location centres in the new Member States, using the Structural Funds (either within existing KICs or in new KICs) with a view to better integrating the new Member States into the EU Research Area. Indeed, so far only one co-location centre is based in the EU-12 (in Poland) of the three first KICs.

With regards to the appropriate themes, an extensive consultation should be organised.

Relevance

The objective of the EIT to strengthen the innovation competences of the Member States and the EU by incorporating the knowledge triangle (higher education, research and innovation activities) was judged to be extremely relevant by those consulted, namely as the EIT appears as the only concrete EU initiative seeking to realise the knowledge triangle.

There is broad agreement that focusing on existing centres of excellence and on co-location centres is appropriate as it not only provides better access to existing expertise but also assists in building the

[63] European Commission (2011), External evaluation of the European Institute of Innovation and Technology, Final Report, 186 pp.
[64] European Commission (2011), External evaluation of the European Institute of Innovation and Technology, Final Report, 186 pp.

necessary critical mass at a regional level for innovation, and helps to improve the performance of the EU within the global market.[65]

The concept of the EIT as an 'elite' model is also considered as crucial to the initiative's success. Of course, the EIT's focus on excellence could limit geographical participation from all Member States. To this end, the Expert Group suggests that while the requirement for excellence should be maintained when selecting the KICs, the EIT HQ could also act as a knowledge partner for responsible agencies in Member States to support the development of innovation capacity. On the other hand, this could also be detrimental to the development of a clear value-proposition and EIT brand, which is stressed as being of key importance by stakeholders wishing to build up the EIT brand as one of world-class excellence or a European 'equivalent' to the Massachusetts Institute of Technology (MIT).

The focus on entrepreneurialism is also seen as essential for realising the value of research and education in the EU. Indeed, organisations that aspire to compete in a global market require highly skilled, creative and entrepreneurially minded individuals. This is broadly acknowledged as a domain where the EU underperforms in relation to competitors.

The Higher Education component of the KICs was also regarded positively and recognised as the novel part of EIT. Many stakeholders pointed out that, while some instruments already link businesses and research (the European Technology Platforms and Joint Technology Initiatives, for example), there is no equivalent to the EIT in terms of a programme which is open to both education and to industrial involvement.[66]

To put it briefly, the working method that the EIT is following is not only relevant to the general challenges in front of the EU's economy but also conceptually relevant to the promotion of innovation. In this sense, the EIT has a pioneering role with regard to testing new approaches to realise the knowledge triangle and to disseminate best practice across Europe.

Efficiency

Even though the setting up of the EIT was not without difficulties (delays in signing of contracts with the KICs, staffing and capacity issues, operational difficulties namely related to the support role of the Commission, etc.), these did not result in any major problems in establishing the EIT.

Nevertheless, some common issues were raised by stakeholders in terms of lessons to be learned for the future, in particular in relation to the calls for applications and, more specifically, to the process of negotiating the legal agreements between the KICs and the EIT.[67]

- Guidance from the EIT was not deemed sufficiently clear during both the application phase and negotiations.
- Guidance with regard to the EIT's requirements was modified during the process and there were discrepancies between interpretations provided by the EIT Headquarters and Governing Body.
- The deadlines set by the EIT were considered overly ambitious and unrealistic.
- The complexity of establishing KICs as legal entities was underestimated by both the European Commission and the EIT.
- The EIT was unable to deliver on simplifying the rules and regulations relating to the KICs to the extent that it had committed to do so.

[65] European Commission (2011), External evaluation of the European Institute of Innovation and Technology, Final Report, 186 pp.
[66] EC (2011), External evaluation of the European Institute of Innovation and Technology.
[67] EC (2011), External evaluation of the European Institute of Innovation and Technology.

In terms of financial efficiency, the available budget of the EIT appears to have been roughly proportional to the objectives established for the EIT and sufficient to finance its first years of operation appropriate. The evaluation found no evidence that other policy instruments or governance mechanisms could achieve superior cost-effectiveness while maintaining the EIT's approach and goals. However, in its current state, with only three KICs, the EIT structure is administratively uneconomical. While there is no agreement as to what is a critical number of KICs, the majority of the stakeholders respondents pointed out that between 6 and 10 KICs would be an appropriate level for the future.

Coherence

The EIT and KICs certainly have the possibility to complement other Community initiatives in the domains of research, innovation and education. There are many initiatives in these fields but no other initiatives integrate all three elements of the knowledge triangle. The KICs have the potential to build upon a range of initiatives and to add value to them through the particular focus that they take. The EIT can also complement other initiatives in seeking to stimulate the innovation capacity of Member States and the EU. The focus on societal challenges also has the potential to complement the work of other Community initiatives aimed at addressing these challenges.[68]

Yet, so far, the EIT has operated independently of other initiatives and there is no evidence of any explicit attempt to develop a complementary approach. The EIT and the KICs should build closer ties to other EU and Member State initiatives seeking to promote common agendas. The proposals for a Common Strategic Framework for Research and Innovation provide a valuable opportunity for this constructive dialogue (see also Research Question 3).

Governance

In general, the EIT's governance structure has been effective up to now but has generated tensions between the European Commission and the EIT. On the one hand, the Commission has legal responsibility for the EIT, but has only limited opportunities to voice its opinion on EIT approach and activities as it only has observer status in the EIT Governing Board. This is surprising both because the EIT is an agency of the European Union, attached to DG EAC, and given the significance of European Union funding to the EIT. On the other hand, the EIT is responsible for the promotion of new approaches to developing innovation capacity but has restricted influence over the EU's wider framework of rules and regulations.[69]

This situation has also led to divergences in approaches between the EIT HQ and DG EAC, causing frustration among KIC applicants in the course of the negotiation of the legal arrangements between the EIT and KICs.

What's more, the initial weakness of the EIT HQ structure has led to what stakeholders agree to be an excessive operational role of the Governing Board in the development of the EIT.

[68] EC (2011), External evaluation of the European Institute of Innovation and Technology.
[69] EC (2011), External evaluation of the European Institute of Innovation and Technology.

3.3. RECOMMENDATIONS

The previous section provided a brief overview of the key challenges relating to current EU RDI instruments. Table 3-2 offers a concise overview of measures proposed to tackle the identified challenges.

Table 3-2: Recommendations to improve existing funding programmes

ISSUE	SPECIFIC MEASURES
FP7 Research and Innovation[70]	• Maintain at least the level of funding for FP7 in its latter stages. • Ensure FP7 funding is sufficiently focused on resolving societal challenges. In this respect, the excellence criterion could be complemented with more impact-oriented criteria to ensure that the funded research is relevant in terms of society and competitiveness. • Provide seamless support to the whole innovation cycle, including the feasibility assessment phase and the demonstration and launch phases; • Ensure that instruments and priorities encourage participation from a broad spectrum of small and large enterprises, universities and research and technology organisations: o Strengthen knowledge transfer mechanisms; o Launch European Innovation partnerships; o Fund projects which take research closer to the market; o Consider novel approaches such as prizes and innovative procurement schemes. • Simplify operational procedures (See RQ6). • Strike a balance between bottom-up and top-down approaches to allow creativity and ingenuity to flourish at the projects' and researchers' level. • Take further steps to increase female participation in FP7 : o Develop a common approach supported by funding agencies and researchers across the ERA; o Implement the target to achieve 40% female participation in all evaluation and advisory committees; o Reinforce monitoring in all stages of project life-cycle; o Reinforce the role of a dedicated Career Restart Panel under the Marie Curie Actions. • Develop and implement high quality Research infrastructures (RIs) : o Improve infrastructure funding through better alignment of the FP with funding from the EIB and the SF; o Reinforce training related to research infrastructure in the People programme; o Include a work package on innovation in all RI projects. • Improve connections between the Structural Funds and the FP to pave the way for increased participation from MS that are underrepresented.
Seventh Euratom Framework Programme (Direct Actions of the JRC)[71]	• Enhance the transparency, effectiveness and efficiency of the governance of nuclear activities by adjusting the management structure, improving customer consultation and minimising bureaucratic burden of quality management. • Define a 10 to 20 year outlook for the nuclear research facility infrastructure with an associated implementation plan using the impact assessment of the JRC's past work and the strategic research agenda of the sustainable energy technology platform as inspiration. • Use SMART objectives at every level of the programme to ensure transparent

[70] European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, 91 pp.
[71] European Commission (2010), *Interim evaluation of the Seventh Euratom framework programme (2007-2011)*: Direct actions of the Joint Research Centre, Expert Group report, 52 pp.

ISSUE	SPECIFIC MEASURES
	reporting.
Seventh Euratom Framework Programme (Indirect Actions)[72]	• Increase EU funding and coordination for fission research with resources focused on improving the technology for the future. • Align the Fission Research programme to reflect the strategic research agenda of the sustainable nuclear energy technology platform. • Permit research on nuclear fission, of interest to only some member states, to be carried out under the umbrella of the Treaty. • Administrative costs in the Fission R&D budget should reflect actual costs rather than an arbitrary 15% overhead. • Create a more streamlined management structure for ITER with fewer interfaces. • Give more responsibility to an ITER Project Director chosen for his/her proven ability to ensure better control of the ITER project. • Revise the ITER project baseline to balance achievability, affordability and urgency, resulting in a realistic budget and project. • Set out a route to a commercially viable fusion energy reactor, with short- and medium-term objectives. • Validate ITER design features using the world's largest nuclear research facility JET as benchmark. • Set out success criteria against which a project can be monitored regularly.
Competitiveness and Innovation Framework Programme	• Continue to focus on the Enterprise Europe Network; financial instruments; mutual policy learning; eco-innovation market replication projects; and, Pilot A projects. • Improve the governance of the CIP to better manage the policies and practices from across the Programme: o Pay more attention in implementation reports to the results of actions as opposed to outputs delivered; o Allocate specific responsibility for analysing the results that have are being achieved across the programme; o Strengthen management instruments such as communication tools and monitoring systems. • Improve in the coordination between DG's involved in the implementation of the CIP and the DG REGIO on a more systematic basis than currently. • Continue with the development of evidence-based policy processes, including improvements in monitoring systems. With the development of 'results' and 'impact' indicators to allow ex-post evaluation of programme effectiveness. • Continue to take steps to simplify administrative arrangements consistent with relevant legal requirements and sound financial management. Consider the procedures for promoting calls for proposals so as to foster a good balance between 'demand' as evidenced through the number and quality of proposals and 'rates of success or support given'. • Review the relationship between the CIP and its main stakeholders, with a view to considering systematically ways to identify and promote synergies: o Review existing structures for co-ordinating practice with close policy areas, such as FP7 and the Structural Funds and identification of ways to make this co-ordination more systematic; o Consider how CIP results can best be taken up in Member States and other participating countries. • Continue to simplify project application and management procedures. • Strengthen the capacity of National Contact Points to engage with local networks and actors.

[72] European Commission (2010), *Interim Evaluation of the indirect actions of the FP7 of the European Atomic Energy Community(Euratom) for nuclear research and training activities (2007 to 2011)*, 76 pp.

ISSUE	SPECIFIC MEASURES
	• Develop a communication and dissemination strategy for the CIP, which reflects stakeholders' demand for simple coherent and tailored messages: o Communicate clearly the main achievements of the CIP, with a view to assisting further take-up of results and promoting synergies at all levels; o Establish some priorities in terms of which achievements to highlight. Those with the greatest potential for further impact on competitiveness and innovation should have the highest priority.
European Institute of Innovation and Technology[73]	• Focus on strengthening existing centres of excellence. Additional KICs should be considered from 2014 onwards. • Provide clear and consistent guidance in future calls for the formation of KICs the EIT: o Give sufficient notice of potential themes to enable sufficiently developed partnerships to be formed to respond to a Call for Applications; o Ensure an adequate duration for responses to be made to the call for applications. • Continue to develop, in collaboration with the EC and current KICs, further simplified procedures for the operation of the EIT in the forthcoming MFF. • Establish robust monitoring procedures in association with the KICs with focus on results-based approach. • Embrace a culture of openness and external engagement through which it can develop and share lessons of practice. • Guard against simply strengthening the competitive performance of individual KICs. • Seek to engage with external expertise in developing new models of entrepreneurialism, innovation and education, actively work with other initiatives with similar aims and consider how its activities can assist in building capacity across the EU. • Build closer ties to other EU and Member State initiatives seeking to promote common agendas. • Take a more pro-active approach to brand development and identify clearly the values that it is seeking to promote. Review communications strategy • Assess the extent to which the focus on excellence limits the parts of the EU which are engaged with the EIT and the implications of this. • Consider the role of the EIT HQ in supporting the development of innovation capacity in all EU Member States through acting as a knowledge-partner for responsible agencies. • Review the governance structures of the EIT as part of drafting of a revised Regulation by the Commission. It is recommended that the principle of independent members is maintained but decreasing the size of the Governing Board is of crucial importance. • Include EIT as an independent unit under the general policy of the new CSF.[74] • Increase level of resources allocated to the EIT and the KICs.[75] • Improve connections between the Structural Funds and the EIT to enable better integration of MS that are underrepresented. • Ensure more transparency and more open dialogue with external stakeholders.[76]

[73] European Commission (2011), *External evaluation of the European Institute of Innovation and Technology*, Final Report, 186 pp.
[74] European Commission (2011), *Report on the public consultation on the European Institute of Innovation and Technology*: Public Consultation Report, 29 pp.
[75] EC (2011), *Report on the public consultation on the European Institute of Innovation and Technology*.
[76] EC (2011), *Report on the public consultation on the European Institute of Innovation and Technology*.

4. RQ3: IMPROVING THE COORDINATION AND INTERACTION OF EU RDI FUNDING INSTRUMENTS

KEY FINDINGS

- EU innovation policies are fragmented across programmes and should be rethought with a view to **a whole chain approach to research and innovation**.
- **Horizontal policy coordination** with sufficient linkages between research, innovation and education must be strengthened, but also at a broader level, with cohesion and other EU policies.
- There is a need for more **coherent and interacting governance structures.**
- **Communication, coordination and cooperation** between actors and stakeholders at all levels needs to be improved.

4.1. RATIONALE

An estimated 16.5% of the Community budget in the period 2007-13 is dedicated to research and innovation-related activities. However, as described in the CEPS Task Force Report on Innovation Policy[77], these resources are spread over a range of programmes, under different management rules and bodies:

- Four centrally managed EU funding programmes (FP7, CIP (itself split into three separate sub-programmes), LLP and LIFE+) are managed by seven DGs/Commissioners (RTD, ENTR, INFSO, ENER, ENV, ECFIN, EAC), with the support of four different executive agencies, as well as the EIF and its financial intermediaries for the CIP financial instruments and the FP7 Risk Sharing Finance Facility (RSFF) . Furthermore, 24 committees (for FP7: 19 committees/thematic configurations of committees, for CIP: 3, LLP: 1, LIFE+: 1) deal with the programming and monitoring of implementation of these centrally managed programmes.
- Next to this, four shared managed programmes (the ERDF, ESF, EAFRD and EFF) have innovation among their targets. Another five DGs/Commissioners are involved in the design and implementation of these programmes (REGIO, EMPL, AGRI, FISH, DIGIT), notwithstanding the 386 operational programmes under the ERDF and ESF that contain an innovation component, for each of which a managing authority is in charge (mostly a regional or national ministry or body.[78]

The number of instruments for funding and the fragmentation of institutional competences across DGs and executive agencies lead to a lack of policy coherence and a lack of a whole chain approach to research and innovation. This also creates a complex environment for potential applicants, in particular for SMEs.

The issue of synergies between the FP, the CIP, and the Structural Funds has been on the agenda at European level for several years and has been addressed and analysed by different bodies.[79] A Synergies Expert Group (SEG) was set up in October 2010 with a view to producing recommendations concerning enhanced "synergies of policies and programmes" for R&D, innovation and cohesion for

[77] CEPS (2010) *A New Approach To Innovation Policy In The European Union*: Task Force Report, 96 pp.
[78] CEPS (2010) *A New Approach To Innovation Policy In The European Union*, pp.21-22
[79] Since 2007, contributions on synergies have come from the European Parliament's Committee on Industry, Research and Energy (ITRE); the European Research Advisory Board; the European Commission; European Scientific and Technical Research Committee (CREST); the European Research Area Committee (ERAC); the European Parliament's Committee on Regional Development (REGI); the European Strategy Forum on Research Infrastructures (ESFRI). A summary of these analyses can be found in Annex 2 of the Final Report of the Synergies Expert Group (SEG) on synergies between FP7, the CIP and the Cohesion Policy Funds.

the remainder of the current programming period and the next financial framework. The study[80] also included the European Institute of Innovation and Technology (EIT) and parts of the Life-Long Learning Programme (LLP) in its deliberations and analyses.

The findings of the SEG report are of particular relevance as the new research and innovation strategy developed by the Commission (Europe 2020 initiative[81]) highlights the need for a better integration between European RTD, innovation, education and cohesion policy programmes. "The discussion should not only be about levels of funding, but also about how different funding instruments such as structural funds, agricultural and rural development funds, the research framework programme, and the competitiveness and innovation framework programme (CIP) need to be devised to achieve the Europe 2020 goals so as to maximise impact, ensure efficiency and EU value added".[82]

4.2. KEY CHALLENGES

As noted in the EC's Impact Assessment with regard to the Horizon 2020 initiative[83], current EU research and innovation funding suffers from weak horizontal policy coordination in two respects. First of all, the coordination among the research, innovation and education policies is weak. Indeed, the three "knowledge triangle" policies (research, innovation and education) are covered by 3 separate programmes and initiatives. Their objectives are not fully aligned, and together they account for many specific programmes and funding schemes. The lack of clarity of focus is also apparent at the level of individual programmes. The FP, for instance, covers a plethora of general higher-level EU objectives and is fragmented into 10 comparatively stand-alone thematic priorities.[84]

Secondly, the broader horizontal policy coordination between these "knowledge triangle" policies and other policies is weak. Indeed, the links between the FP, the CIP and the EIT, on the one hand, and cohesion funding and other policies (mobility, energy, agriculture, etc.), on the other hand, are under-developed, thus impeding the valorisation of research results into new products, processes and services.[85]

4.2.1. How can the current set of RDI funding schemes and instruments be rationalised?

With regard to horizontal policy coordination in the narrow sense, the FP7 interim evaluation[86] noted that a strategic shift is needed to establish stronger and better connections between research, innovation and education, as well as a broader horizontal policy coordination, with the cohesion funds and other EU policies such as transport, energy and agriculture.

The 7th Framework Programme (FP7)

While the primary focus of the FP7 is to stimulate RTD, the programme is also dedicated to supporting innovation through activities that are closer to exploitation than research (e.g. market research and market development, product testing, prototype development, product and service standardisation, business case development, etc.). These activities are in line with the Council

[80] European Commission (2011), *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds*: Synergies Expert Group (SEG): Final Report of the expert group, 100 pp.
[81] European Commission (2010), *Europe 2020 Flagship Initiative Innovation Union*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SEC (2010) 1161, 46 pp.
[82] *Europe 2020 Flagship Initiative Innovation Union*, op, p.22
[83] European Commission (2011), *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*: Commission staff working paper, SEC(2011) 1427, 52 pp.
[84] *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*, 2011, p.18
[85] *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*, 2011, 52 pp.
[86] *Interim Evaluation of the Seventh Framework Programme*: Report of the Expert Group, Final Report, 2010

conclusions from 9 March 2011, where the Commission is encouraged "to continue enhancing the innovation impact of FP7" and "to fund projects which take research results closer to the market, and to put additional emphasis on innovation impact when evaluating proposals, as appropriate."

However, the challenge of ensuring coherence, within FP7, between research aims, the 'Innovation Union' dimension of Europe 2020 and the economic development advanced by the EU's Cohesion policy remains a challenge for the future.[87]

The Synergies Expert Group (SEG) report recommends that, in order to meet the goal of the 'Innovation Union', the relative share of funds supporting innovation and/or innovation-related activities in the future Research and Innovation Framework should be made more explicit (with funds for RTD clearly earmarked as distinct from innovation funding) or expanded if necessary.[88] For the same reason, a stronger emphasis should be placed on innovation during the remainder of the current programming period (in the FP7 2012 & 2013 Work Programmes). Activities regarding pre-procurement could be considered in that context. Nevertheless, the SEG highlights the fact that FP7 grants are particularly suitable for high-risk activities, such as research and technological development that are far from the market, while exploitation and dissemination activities can be sufficiently well addressed by debt-based funding. Therefore, the SEG recommends that when considering an increase of funds for innovation, priority may be given to EIB/EIF, rather than to those schemes in the CIP offering grants for innovation or those of FP offering oversubscribed grants for RTD (with a possible exception for activities related to bringing RTD to the market).[89]

Another area that appears underdeveloped under the FP7 with regard to EU policy objectives is that of research infrastructures (RIs). Indeed, these are pivotal for the Knowledge Triangle, and as such are a pillar for implementing the ERA, but there needs to be coherence between what is funded by FP7 under the heading of *Capacities*, the ESFRI and capacity building undertaken as part of Cohesion policy and what is being considered in the context of Joint Programming. Therefore, more effort should be made to boost RIs during the latter stages of FP7. In addition there should be a focus on promoting their impact by establishing synergies between training instruments and utilisation of RIs and by stimulating industrial and third country access.[90]

The Competitiveness and Innovation Framework Programme (CIP)

The SEG report finds that the CIP suffers from its design, which appears to be "an agglomeration of a multitude of actions and previous (small) programmes". Two thirds of the operations financed under the 2011 work programme, i.e., 14 of the scheduled 21 actions, represent only 9% of the budget. Among these 14 actions, none amounts to more than 1.5% of the first pillar of CIP, the smallest representing only 0.08%. "At such a low level of intervention, European added value is at best marginally achieved and synergies with some vigour are impossible to organise".[91]

The CIP final evaluation confirms this view, stating that the "structures and processes of a successor or 'next generation' CIP should enable a more integrated approach, strengthening both internal and external synergies". Internally, the SEG supports the recommendation of the CIP interim evaluation that "an inter-DG steering group" responsible for developing overall programme strategy and overseeing its implementation should be set up. Externally, both reports also find that the links between the individual CIP activities, the FP7 and the Structural Funds should be clearer, with closer communication, coordination and cooperation.[92]

[87] *Interim Evaluation of the Seventh Framework Programme*: Report of the Expert Group, Final Report, 2010 p.9
[88] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 48
[89] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 28
[90] *Interim Evaluation of the Seventh Framework Programme*: Report of the Expert Group, Final Report, 2010 p.10-11
[91] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp. 29-30
[92] GHK & Technopolis (2010), *Interim evaluation of the Competitiveness and Innovation programme (2007-2013)*, p. 91

Indeed, CIP actions are designed to create a friendly ecosystem for SME cooperation, entrepreneurship and innovation culture, as well as administrative and economic reforms for business. However, it will be unable to do so while it remains weakly connected with the regional EU innovation policies.[93]

Further to this, the CIP has the potential to create significant synergies with other programmes in a number of areas. A shining example of this is that of ICT, which is covered by one of the three specific programmes of CIP. Indeed, ICT is also the largest theme in FP7, while one of the Knowledge and Innovation Communities (KICs) of the EIT falls in the ICT area. And yet, up till now, "little attention has been given to the establishment of the EIT".[94] In addition, specific guidelines on ICT have been developed in cohesion policy. The SEG recommends investigating this case by verifying if and how the various programmes can work in cooperation.[95]

Lastly, there are multiple reports and stakeholders that point to the need to align and coordinate the different financial instruments of CIP with the FP7 Risk Sharing Finance Facility (RSFF) and Structural Funds/ ERDF instruments. This issue is addressed in Research Question 4.

Education and training

EU policies in the field of education and training are currently only marginally linked to research and innovation policies. In order to make the knowledge triangle a reality, these policies need to become more closely aligned to both research and the cohesion policies. In the SEG's view, the EIT offers an important opportunity to do so.[96]

The Structural Funds

The Structural Funds address research and innovation processes, in particular by supporting regional development and capacities. Nevertheless, the Commission's Communication "Regional Policy contributing to smart growth in Europe 2020"[97] reports on the low level of funds allocated to regional innovation projects in the current programming period (2007-13): just 26 % of the € 86 billion available under the Structural Funds as of September 2009.

On the other hand, FP7, CIP and the EIT also support regional innovation, through various schemes, such as the FP7 Regions of Knowledge (RoK) and Research Potential (REGPOT) schemes, the Europe INNOVA scheme under CIP, or the KICs under the EIT.[98] It would therefore appear interesting to combine these various schemes, while keeping their specific functions (for instance, using the Structural Funds for the construction of research infrastructures, combined with FP7 support for their operation).

For this to be feasible, the rule whereby a Structural Funds project may not be co-funded by another EU funding source should be scrapped, as pointed out in the SEG report: "Co-funding of projects through Structural Funds and other EU funding sources should be made possible. 'Project finance approaches', e.g. including EIB and leveraging co-funding and loan service from other (also EU) sources, should be introduced. The possibility to have a 'common entry point' to apply for funding for integrated projects covering both aspects in synergy should be explored".[99]

[93] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp. 29-30
[94] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 29
[95] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp. 29-30
[96] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp. 31-32
[97] European Commission (2010), *Regional Policy contributing to smart growth in Europe* 2020: Communication of the Commission: SEC (2010) 1183, 15 pp.
[98] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 33
[99] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 55

Furthermore, the SEG report notes that "the key requirement for achieving such synergies would be robust and smart regional innovation strategies that are shared and jointly implemented by the key stakeholders".[100] In this respect, the SEG sees 'smart specialisation' strategies as crucial tools. Indeed, by concentrating resources on the most promising areas of comparative advantage, smart specialisation will help to avoid unnecessary duplication and fragmentation of efforts and allow for a more efficient, effective and synergetic use of public investments.

On an operational level, the SEG recommends that Member States should be encouraged to have better coordination/interaction between ministries and other authorities responsible for the RTD and Cohesion policies respectively, given the shared management for the Structural Funds. Namely the Managing Authorities and Monitoring Committees of the Structural Funds Operational Programmes should cooperate with the corresponding FP7 management structures.[101] What's more, positive incentives should be designed and established to stimulate the coordination between the two policy frameworks.[102]

4.2.2. How can the governance structure for funding instruments be simplified to ensure increased policy coherence?

Common Strategic Framework for Research and Innovation

The EU Budget Review proposes an approach based on two policy frameworks – the Common Strategic Framework for Research and Innovation (Research and Innovation Framework), and the Common Strategic Framework for Cohesion (Cohesion Framework) – under the next programming period, with a view to simplifying governance, reducing the complexity of advisory, implementation and monitoring bodies at all levels, and ensuring the wider sharing of information.

It is assumed that the following policy programmes (and their various sub-programmes) will be organised as follows under two frameworks:

- Under the Research and Innovation Framework:
  - the new Research and Technology Framework Programme including the European Research Council (ERC);
  - the new Competitiveness and Innovation Programme;
  - the European Institute of Innovation and Technology (EIT).
- Under the Cohesion Framework:
  - the European Regional Development Fund;
  - the European Social Fund;
  - the Cohesion Fund.

Respondents to the public consultation on the Common Strategic Framework see the development of such a common framework as an ideal opportunity to bring research and innovation closer together, to generate more impact from EU funding, to simplify the EU funding landscape by reducing the number of instruments, and to remove overlap and improve the coordination with other sourcing of EU and national funds.[103]

The SEG takes note that the two future policy frameworks are clearly different, but stresses that they also clearly show overlaps, at least in their general foci and in the driving objectives. The Research and Innovation Framework has as its main policy objective to maximise the contributions to 'smart

[100] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 35
[101] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 35
[102] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, p. 55
[103] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Summary report consulted at http://ec.europa.eu/research/horizon2020/pdf/consultation-conference/summary_analysis.pdf#view=fit&pagemode=none

growth', while the Cohesion Framework primarily focuses on 'inclusive growth'. However, both frameworks also address the respective other priorities of the Europe 2020 strategy. Thus, the Research and Innovation Framework also pays attention to sustainable and inclusive growth, while the Cohesion Framework also addresses smart and sustainable growth. In addition, the concept of 'smart specialisation' is important for both frameworks.[104]

An important difference between the two above sets of programmes is that final priority setting and selection are done at different levels: FP7 is defined at European level, with envelopes per theme (e.g. nanotech), mainly in support of transnational projects (although also impacting on regional capacities), while the Structural Funds mainly support national/regional projects (but with impacts on transnational projects). Given the mutual impact that these programmes can have on each other, it will be important to strengthen the commonalities and 'bridge' the differences between them, by aligning their orientations in order to increase their compatibility and interoperability and strengthen their complementarity.[105] Indeed, the SEG report finds that the two frameworks have overall objectives that allow the reinforcement of the interrelationships between them.

However, there is of course a discrepancy between the two programmes. In EU RTD policies, the ultimate criteria for the competitive selection and support of research activities, networks and infrastructures is that of "excellence", so that only the best in practically all projects and activities are supported, regardless of geographical representation in order to achieve maximum yield. Structural and Cohesion instruments on the other hand are designed to promote solidarity through capacity building, with the aim of eradicating differences between Member states and Regions. While some consider that these objectives are mutually exclusive, the SEG underlines the fact that under the Cohesion policies in support of the broad innovation area, the major objective is "capacity building, with the intention to stimulate and develop (inter alia) the opportunities to attract, strengthen and make use of excellence, in order to achieve competitiveness in innovation".[106]

Therefore, the SEG argues that, both for the RTD and the Cohesion policies, "excellence-based criteria can be seen to apply". In this way, the RTD part of Structural Funds should continue to support future excellence in capacity building efforts, thus providing a 'staircase to excellence' through RTD and innovation and paving the way for better and faster integration of the Convergence regions in the European Research and Innovation Area[107]. This is also found to be in line with the Council Conclusions from 9 March 2011 where the Commission is asked to "put forward appropriate actions ... aiming at spreading scientific excellence".[108]

Synergy can be found through Smart Specialisation, whereby each Member State and region develops its own regional specialisation strategy and thus pursues excellence in a specific field. Ergo, where Cohesion Policy and Structural Funds can play a more horizontal role by creating the proper conditions for regional specialisation, RDI funds will have room to keep promoting excellence in European research and innovation.

The creation of bridges between the two programmes will nevertheless require active coordination and cooperation at national, regional and local level as well as between support and implementation structures.[109]

Among others, ways should be explored to inform Managing Authorities of the Structural Funds about FP projects (especially ERC grants or highly innovative technological projects containing an

[104] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp. 39
[105] *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds* (SEG): Final Report, 2011, pp.23-24
[106] Synergies Expert Group (SEG): Final Report, 2011, p. 27
[107] Synergies Expert Group (SEG): Final Report, 2011, p. 27
[108] Council of the European Union (2011), *Conclusions on the evaluation of the Seventh Framework Programme for Research (FP7), including the risk-sharing finance facility*, 6 pp.
[109] Synergies Expert Group (SEG): Final Report, 2011, p. 24

element of human resources training) related to their regions that received high evaluation scores but could not be retained for funding because of budgetary constraints. The SEG recommends that if such projects are interesting for its specific regional innovation strategy, the Managing Authority might consider providing financial support to them through Structural Funds.

National authorities and agencies responsible for the FP should inform regional authorities about organisations located in their territorial domains that were successful in FP7, CIP or in ESFRI projects. This would require additional efforts at European, national and regional level to improve accessibility and reliability of FP and CIP data related to RTD and innovation.[110]

The National Reform Programmes adopted at national or regional levels should integrate the orientation towards the Europe 2020 strategy and the Innovation Union commitments. What's more, convergent objectives could be made explicit and visible by joint roadmaps and forward-looking perspectives.[111]

Communication, coordination and cooperation

The SEG has identified several areas where improved and more proactive communication, coordination and cooperation should be high on the agenda. It recommends using the current period for testing pilot actions for communication, coordination and cooperation at and between the various levels identified below.

The SEG sees the necessity that the Commission develops a new approach for internal communication supporting the forthcoming Common Strategic Frameworks. There is also a need for ensuring better communication, coordination and cooperation of Commission services within and between the two spheres of action (RTD and Cohesion policies). In the SEG's view, regular consultation and cooperation between different DGs responsible for the different policy areas should be further developed.[112]

4.3. RECOMMENDATIONS

The previous section provided a brief overview of the key challenges relating to interrelations between the different EU funding instruments for research and innovation. Table 4-1 provides recommendations for improving coherence and synergies between these instruments.

Table 4-1: Recommendations for improving coordination and interaction of EU RDI funding instruments.

ISSUE	SPECIFIC MEASURES
Design and implementation of programmes and activities	• Use the current period until 2013 for exploring and testing the interoperability between the programmes and instruments of FP7, CIP and the EIT on the one hand and the Structural Funds on the other hand.[113] • For the rest of the current period, develop and intensify options to combine and mix the instruments from various programmes focusing on the initiatives that build regional innovation capacities.[114] • Implement a moratorium on new instruments until the existing ones have been sufficiently developed and adequately evaluated • Ensure that the priorities set in the future Cohesion Framework (in the

[110] Synergies Expert Group (SEG): Final Report, 2011, p. 35
[111] Synergies Expert Group (SEG): Final Report, 2011, p. 43
[112] Synergies Expert Group (SEG): Final Report, 2011, p. 34
[113] Synergies Expert Group (SEG): Final Report, 2011, p. 67
[114] Synergies Expert Group (SEG): Final Report, 2011, p. 67

ISSUE	SPECIFIC MEASURES
	part addressing research and innovation) are consistent with those set in the future Research and Innovation Framework, without however reducing the regional ownership of the Cohesion Framework. • Seek to achieve a sharper division of labour between what is done at EU level and what is undertaken in national programmes, with EU level efforts concentrating on themes where critical mass is vital for success and where breakthroughs require cross-border solutions, while also allocating sufficient resources to R&D topics which promise radical innovations.[115] • CSFRI should work at EU level and be oriented towards promoting excellence, addressing grand societal challenges, and supporting competitiveness; based on competitive selection procedures applying international peer review. • CSFCP should work at regional level; the research and innovation related parts should complement what is done at EU level and will be oriented towards: o Capacity building at regional level and structuring the RTDI sector by providing 'staircases to excellence'; o Close cooperation and interaction between public authorities, higher education and research, and industry (Triple Helix) in the planning and implementation of common RTDI strategies at national and regional level; o Providing user-friendly innovation eco-systems for SMEs and larger companies, universities, and research organisations and their cooperative structures making the knowledge triangle of education, research and innovation a reality; o Supporting European Research.[116] • Interoperability of the two future policy frameworks and a functioning multi-level governance system are crucial precondition for success: o Rules and procedures supporting interoperability as well as synchronised roadmapping, evaluation and administrative cycles; o Ensuring a seamless approach by for example considering CSFRI projects evaluated above threshold for funding from CSFCP funds ('Seal of excellence'); o Allowing projects to be funded from different funding sources while avoiding double funding; o Following simplified and coherent rules and procedures where necessary and appropriate; o Applying compatible or common evaluation criteria and processes including international peer review wherever possible; o Offering optimal access by providing common entry points or well coordinated and cooperating contact points for information and assistance.[117] • Allow co-funding of activities from funds stemming from the CSFCP and the CSFRI as well as from other EU funding sources in different modalities covering the whole project phase or contributing to different project phases in a complementary way.[118] • Empower an EU agency to manage the several funding instruments available for innovation and research, in order to exploit the potential synergies between them and streamline communication with stakeholders, thus avoiding the current 'spontaneous disorder', in which too many funding tools appear sub-additive rather than self-reinforcing.[119]

[115] Interim Evaluation of the Seventh Framework Programme: Report of the Expert Group, 2010, p.10
[116] Synergies Expert Group (SEG): Final Report, 2011, p. 70
[117] Synergies Expert Group (SEG): Final Report, 2011, p. 71-72
[118] Synergies Expert Group (SEG): Final Report, 2011, p. 74
[119] CEPS, Task Force Report, 2010, p. 35

ISSUE	SPECIFIC MEASURES
FP7	• Intensify the relationships between research activities and exploitation and dissemination activities, namely by rendering more explicit the amount of resources which already are available in the budgets of FP7 and by emphasising activities that are eligible to bring RTD results to the market.[120] • Inform Managing Authorities of the Structural Funds about positively evaluated FP7 proposals from the region that could not be retained for funding because of budgetary constraints so that, if such projects are interesting for the specific regional innovation strategy the Managing Authority might consider providing financial support to these projects through Structural Funds.[121] • National authorities responsible for FP7 should inform regional authorities about organisations located in their territorial domains that were successful in FP and CIP.[122]
CIP	• Use the current programming period to correct the deficiencies pointed out by the interim evaluation. To focus the first pillar of CIP on co-funding actions that have strong synergies with the SF actions is one way to do it, with a good leverage effect on otherwise under spent funds. Useful lessons are to be learned from the eco-innovation part of the programme, which seems to be able to establish efficient EU-wide relations with the innovative SMEs in the sector.[123] • Organise the necessary synergies between the financial instruments. One possible solution may be in the end to gather the entire available budget in a single EU fund for innovation, which may or may not be attributed as a revamped mandate to the EIF with a wider mission. This should, however, not necessarily lead to all instruments and initiatives which receive funding from this line having to apply equal rules and procedures[124] (see RQ 4). • Put in place an inter-DG steering group that is responsible for developing overall strategies for the functions and activities following the CIP in the CSFRI and overseeing its implementation.
Structural Funds	• Focus activities in the Cohesion Framework related to research and innovation as well as in education and training on capacity building and providing 'staircases to excellence' and follow smart specialisation strategies in accordance with Europe 2020 objectives while contributing also to the objectives as defined by the Research and Innovation Framework.[125] • Better exploit the Structural Funds to contribute to the 'smart growth' objective, particularly through innovative public procurement and demonstration projects.[126] • Orient the European Social Fund (ESF) more on innovation and the development of skills for innovation, entrepreneurship, cooperation between universities and economic actors as well as on multidisciplinary education conducive to innovation.[127] • Align the National Reform Programmes and the Development and Investment Partnership Contracts of the Structural Funds with the Europe 2020 strategies and the Innovation Union flagship initiative.[128] • Develop stronger interfaces with the future Common Agricultural Policy, where innovation is foreseen as an important component of rural development.

[120] Synergies Expert Group (SEG): Final Report, 2011, p. 68
[121] Synergies Expert Group (SEG): Final Report, 2011, p. 69
[122] Synergies Expert Group (SEG): Final Report, 2011, p. 69
[123] Synergies Expert Group (SEG): Final Report, 2011, p. 30
[124] Synergies Expert Group (SEG): Final Report, 2011, p. 30
[125] Synergies Expert Group (SEG): Final Report, 2011, p. 73
[126] Synergies Expert Group (SEG): Final Report, 2011, p. 30
[127] Synergies Expert Group (SEG): Final Report, 2011, p. 30
[128] Synergies Expert Group (SEG): Final Report, 2011, p. 73

ISSUE	SPECIFIC MEASURES
EIT & Education	• Make a reality of the knowledge triangle between education, research and innovation so that government authorities, industry and high education institutions work together on the basis of common RTDI strategies at national and regional level.[129] • Ensure optimal communication, coordination and cooperation of the EIT with other EU and Member State programmes and initiatives[130] • Explore the possibilities of the EIT as a platform for conducting experiments with new approaches towards the exploitation of research results and innovation.[131]
Communication	• Perform 'pilot action' tests for communication, coordination and cooperation at and between the various European, national and regional levels preparing for the future approach of common strategic frameworks in accordance with the objectives of the Europe 2020 strategy and the flagship initiatives; take stock of positive examples of synergies developed in some Member States (e.g. in Slovenia).[132] • Explore the possibilities for reducing the complexity of and improve the communication between the different advisory, implementation and monitoring bodies for the different programmes - for FP7, CIP, EIT and the Structural Funds; in particular, develop coordination and closer cooperation between the information and assistance structures, National Contact Points (NCPs) and the Enterprise Europe Network (EEN).[133] • Ensure regular consultation and cooperation between different DGs responsible for different policy areas in order to reduce the existing complexity of instruments and funding mechanism, to simplify administrative procedures and to develop synergies among specific programmes of FP7, CIP, EIT and SF as proposed in this Report.[134] • Push forward simplification efforts as far as possible in all programmes (see RQ 6).[135]

[129] Synergies Expert Group (SEG): Final Report, 2011, p. 71
[130] Synergies Expert Group (SEG): Final Report, 2011, p. 72
[131] Synergies Expert Group (SEG): Final Report, 2011, p. 72
[132] Synergies Expert Group (SEG): Final Report, 2011, p. 67
[133] Synergies Expert Group (SEG): Final Report, 2011, p. 24
[134] Synergies Expert Group (SEG): Final Report, 2011, p. 70
[135] Synergies Expert Group (SEG): Final Report, 2011, p. 67

5. RQ4: IMPROVING THE ROLE OF THE EIB IN SUPPORTING INNOVATION-RELATED BUDGETARY EFFORTS

KEY FINDINGS

- There is a need to **encourage more private investment in growth and R&I** through the use of innovative financial instruments at EU level and, namely, in collaboration with the EIB, which has established its role as an important counterparty for the Commission in developing co-financing instruments.
- The financing gap for **SMEs** has traditionally been considered largely as an equity gap, but that it should rather be described as a more broadly defined "**growth capital gap**", encompassing equity instruments, hybrid or debt-like instruments and guarantee schemes.
- The persistence of the **financial crisis** has caused banks to become increasingly risk-averse. This is even more of an issue for small, young, innovative firms due to their perceived riskiness and lack of collateral. In this context, the **supply of debt finance to innovative SMEs** should be even further improved.
- The **Risk-Sharing Finance Facility** set up by the EIB and the EC under FP7 has **proved its value** as a debt financing instrument for innovative companies, enabling a significant increase in funding for RDI at a time of dramatic decline in the availability of finance for private investment in the EU. The instrument should be scaled up following its expansion to innovative SMEs and Midcaps.
- **Equity finance such as venture capital funds and business angel support** are essential for financing SMEs in their early stages. However the EU venture capital market remains fragmented and the business angel market is still underdeveloped, leading to sub-optimal levels of investment.
- The proliferation of EC-EIB Group funding schemes for RDI and SMEs creates the risks of lack of **coherence and fragmentation at the expense of the final beneficiaries**.
- The EC's **lack of a common approach to the use of equity and debt instruments complicates relations w**ith financing partners, in particular the EIB.

5.1. RATIONALE

The current financial and economic crisis has severely constrained public finances and made it considerably more difficult to access funds on the financial markets. In this context, the key challenge for the next MFF will be to act as an effective catalyst to foster both public and private actor investment in the knowledge economy. In this context, co-investment through innovative financial instruments, where public funds invested to address a specific market failure have a multiplying effect on the total investments mobilised by encouraging private sector investment should clearly play a significant role.[136]

Such co-financing instruments typically engage EU budget resources though a cascade of financial intermediaries starting from the Commission, through to the EIB Group, and to a series of other actors at national and regional levels (the banking system, national guarantee institutions, venture capital investors, etc.) all the way down to the final beneficiaries. In this respect, co-financing not only has the potential to leverage increased funding resources, but also to help to 'align the operational priorities

[136] Financial Instruments in the next Multiannual Financial Framework : principles, policy areas and volume / From co-financing to co-investment consulted at http://www.regards-citoyens.com/article-financial-instruments-in-the-next-multiannual-financial-framework-principles-policy-areas-and-volume-from-co-financing-to-co-investment-67120387.html

of all financial intermediaries in the delivery chain with the policy priorities of the EU, while also increasing the visibility of EU action'.[137]

Role of the EIB and EIF

As pointed out in the Budget Review, the EIB has already established its role as an important counterparty for the Commission in developing co-investment instruments, "which in turn have permitted increased leverage of its resources and an extension of its reach".[138]

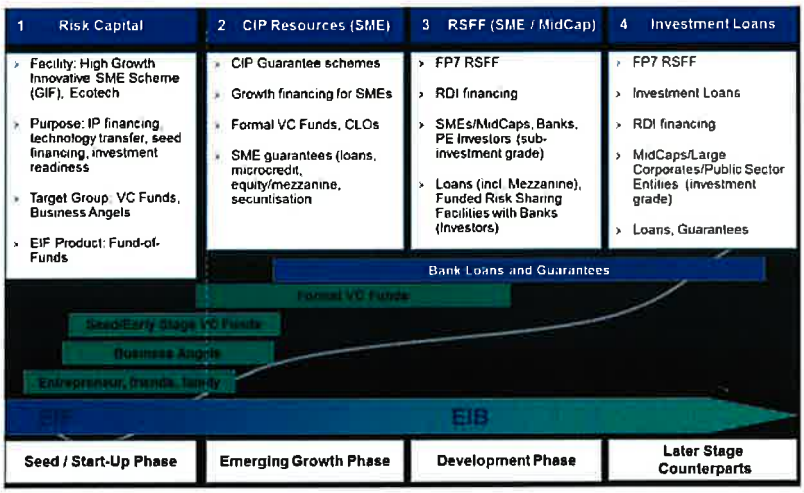
The EIB finances investment supporting the implementation of EU strategic priorities, such as the promotion of a competitive, knowledge-based economy. In the period 2000-2011, the EIB lent some €113.7billion for investment in RDI, education, and information and communication technology – the pillars of the knowledge economy, of which €10.4 billion in 2011 alone. Most of the support was directed towards investment grade promoters, typically large corporates in the R&D-intensive automotive, engineering, ICT and life sciences sectors, as well as mid-cap companies in high-tech areas and public sector promoters.

On the one hand, the Bank provides traditional financial backing, in the form of loans, for instance in support of the ERA and the European Higher Education Area, of leading-edge universities, technology transfer initiatives, academic research and new-generation research infrastructure, as well as innovative technologies, products and services across all industries. On the other hand, the Bank has, over the years developed a toolbox of financial instruments (see figure 5-1 below), including various risk instruments that allow it to dedicate large amounts to innovative projects, while provisioning for potential losses.[139]This possibility was reinforced as of 2007, with the establishment of the Risk Sharing Finance Facility (RSFF) – the first EU-scale programme to use debt-based finance – set up with the support of the EC in 2007, with the specific aim of supporting private RDI investments from sub-investment grade companies.

Complementing the EIB's product offering, the European Investment Fund (EIF) offers a variety of equity (venture capital and private equity) and guarantee instruments in support of high-growth innovative SMEs, using either its own funds, or resources it manages on behalf of its capital providers. They are channelled through several programmes such as the EIB's Risk Capital Mandate (RCM), € 5 billion of funds deployed to support technology and industrial innovation, or the €1.1 billion CIP, is dedicated to equity to support the competitiveness and innovation of European enterprises under the High Growth and Innovative SME Facility (GIF) and to debt support under the SME Guarantee Facility (SMEG).

[137] European Parliament, DG IPOL (2011), *The implications of EIB and EBRD co-financing for the EU budget*, 128 pp.
[138] European Commission (2011),: *A Budget for Europe 2020*: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues: Commission Staff Working Paper, SEC(2011) 868 final, 215 pp.
[139] European Investment Bank (2011), *Supporting the knowledge economy*: EIB finance for education, research and innovation, 8 pp.

Figure 5-1: EIB & EIF Financing for Company Life Cycle[140]



5.2. KEY CHALLENGES

5.2.1. Improving the role of the EIB/EIF in supporting access to debt finance for R&I-based companies

According to the results of a joint EC-European Central Bank study on SME Access to Finance, bank loans remain the preferred type of external financing for SMEs.[141] While it is elementary in enabling SMEs' competitiveness, the general view is however that loan finance is not the instrument with the most value-added at EU level, as highlighted in the results of the Public consultation on the future EU support to competitiveness and innovation[142]. Indeed, these results reveal that loan finance is considered relevant at national (62%) and regional levels (55%), whilst at EU Level (49%) its importance seems to be more doubtful.

Nevertheless, given the deteriorating own funds positions of SMEs, stricter Basel III capital requirements for banks and rising interest rates, the availability of and conditions attached to loan finance has severely degraded and there appears to be increased scope for intervention at EU level. What's more, EU support for debt financing through guarantees on bank loans or risk-sharing agreements providing capital relief to banks, is considered highly relevant (more than 70%) to the promotion of SME competitiveness and innovation.

The EIF explains that the financing gap for SMEs has traditionally been considered largely as an equity gap, but that it should rather be described more broadly as a "growth capital gap", encompassing equity instruments as well as hybrid or debt-like instruments and guarantee schemes. "Therefore, EU level financial instruments should involve a broader set of solutions addressing different layers within SMEs' capital structures. There are various reasons why a growing SME may prefer to finance its growth through hybrid or debt instruments rather than a new equity capital injection. For instance, hybrid or debt instruments have the major advantage for the SME owner to retain full control of the company. The benefits for the borrower may also be of a financial nature. Hybrid or debt financing is cheaper than equity capital and allow for leverage as an investment in an innovative project is

[140] European Commission, DG Research and Innovation (2011), *Which financial instruments to ensure a better access to finance for RDI in the EU?*, 33 pp.
[141] European Commission and the European Central Bank (2011), *The Survey on the Access to Finance of Small and Medium-sized Enterprises (SAFE)*, available at http://ec.europa.eu/enterprise/policies/finance/files/2011_safe_analytical_report_en.pdf
[142] 676 participants took part in this consultation, including SMEs, public administrations and financial institutions. The results are available at: http://ec.europa.eu/cip/public_consultation/index_en.htm

typically made if, inter alia, the expected income exceeds the cost of the hybrid/debt financing. In addition, interest paid on hybrid/debt financing is usually tax deductible."[143]

The main EU level instruments to support debt financing for innovative companies are the RSFF, managed by the EIB, and the SMEG, managed by the EIF under the CIP.

The RSFF is a relatively new debt-based finance facility for RDI, set up in 2007 with the aim of creating an additional EIB financing capacity of up to €10 billion, over the period 2007-2013, in support of RDI in all sectors covered by the FP7 and available to all Member States. Thanks to its € 2 billion capital cushion, of which €1 billion comes from the EIB's reserves and €1 billion from the Commission's FP7 programme, the RSFF seeks to raise the proportion of private investment in RDI.[144] Indeed, this cushion, coupled with the EIB's valued expertise in evaluating the creditworthiness of complex and high-risk projects, encourages private investors, such as commercial banks and investment funds, to participate in funding selected RDI projects.

The RSFF has been the object of an internal report by the EIB in April 2010 (EIB, 2010) and of an external draft interim report by a 'group of independent experts' in July 2010. As pointed out in a recent European Parliament study[145], both evaluation reports find that the RSFF on has had a "dramatic impact on expanding financing for RDI" at a time when the financial crisis had resulted in "a dramatic decline in the availability of finance for private investment in the EU".[146]

By end 2011, the RSFF had helped 75 companies benefit from over €7.3 billion in EIB[147] loans to projects enhancing European growth and competitiveness, in 21 European countries, of which 19 Member states and 2 FP7 associated countries.[148] Total loans approved amounted to more than EUR9.4 billion. What's more, during this period of economic and financial crisis, the RSFF scheme disbursed its resources ahead of time, with outlays reaching 65% of the total targets at the mid-point of the scheme, end 2009, versus the anticipated 50% target.[149] In this respect, the RSFF has also been utilised as an "anti-cyclical" facility.

The reports highlight that the success of the RSFF is largely due to its flexibility and resilience to changing economic conditions and to the collaborative mechanisms in place between the EC and the EIB. Given its initial success, it is broadly agreed that the RSFF should be continued beyond 2013 as a main instrument of the forthcoming Horizon 2020, the new European support programme for R&I with increased funding support from the EU.

Nevertheless, the mid-term evaluation also pointed to a number of weaknesses, including:

- The ability of the RSFF to support innovative SMEs given the large size of the loans ;
- The take-up of funding by universities and research centres, as well as research infrastructures;

[143] European Investment Fund (2011), *EIF response to the GREEN PAPER – From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation Funding*, 15 pp.
[144] European Commission (2011), Research EU Focus, "Risk-Sharing Finance Facility (RSFF) – Investing in European research and innovation", N°10, 32 pp.
[145] European Parliament, DG IPOL (2011), *The implications of EIB and EBRD co-financing for the EU budget*, 128 pp.
[146] European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, pp. 6-12.
[147] European Commission (2011), Press release (IP/11/1505, 05/12/2011), *European Commission, EIB and EIF launch new scheme to help SMEs get loans for research and innovation*, consulted at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1505
[148] European Commission (2012), *EU Financial Instruments for SME Competitiveness and Innovation*, EIF, Luxembourg – 25 January 2012, EC – DG Research & Innovation – Directorate C Research & Innovation – Jean-David MALO, Head of Unit
[149] European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, pp. 12-17.

As the EIB pointed out in its evaluation, "RSFF does not seem to be the right instrument to address SMEs directly".[150] This statement is also backed up by certain respondents to the CIP Public Consultation, which note that "risk-sharing between the European Commission and the EIB Group or other IFIs is not very relevant because it is not really targeted at SMEs (rather at larger enterprises with individual investments of at least €15 million, if not €25 million)".[151]

In response to these findings, the EC and the EIB Group launched, in December 2011, a new guarantee facility to help innovative SMEs to access finance from banks – known as the "Risk-Sharing Instrument (RSI) for SMEs and Smaller Mid-caps (RSI)".[152] The facility aims to encourage banks to provide loans and leases of between €25 000 and €7.5 million, with loan periods of from two to seven years and with the risk finance covering investments in assets (tangible or intangible) and/or working capital. The EIB has mandated the EIF to manage the RSI. The EIF, in turn, will enter into individual guarantee agreements with banks with regard to the provision of guarantees against loan defaults, in return for a fee. For each default, the bank would receive 50% of the amount of the loan outstanding. Some 10 or so banks are expected to be involved, and the RSI plans to reach up to 500 beneficiaries with a total loan volume of approximately €1 billion over the period 2012-2013. Based on a financial contribution from the EU of €120 million, this would represent a leverage effect of factor of 8 to 1.[153]

This pilot action will complement the existing SMEG managed by the EIF on behalf of the Commission under the CIP. Indeed, the SMEG has a budget of €500 million, which it uses to provide counter-guarantees to national guarantee schemes as well as direct guarantees to financial intermediaries in order to increase and enhance the supply of debt finance to SMEs, by passing on the advantage of the guarantee to the final beneficiaries, e.g. by accepting a higher risk profile or less collateral, or by charging lower interest rates or providing similar advantages compared to their ordinary financing activities.[154]

An external evaluation of the SMEG found that almost half of SMEG beneficiaries would not have set up the business or made a particular investment without the financial support received and that the funding was the only way to receive the full amount of finance needed, concluding that "SMEG loan and micro credit windows [...] fulfil a demand for finance which otherwise would not have been met".[155] What's more, the guarantee instrument was found to have a remarkable leverage effect estimated at a total of 67 to 1 for the SMEG instrument as a whole (i.e. every €1 of EU investment generates €67 for SME financing).[156]

In comparison to the SMEG, the RSI is to provide higher loan volumes, in support to RDI investments only rather than all types of investments, and targeting research-intensive and innovative SMEs and smaller mid-caps, which currently amount to just 12% of SMEG beneficiaries.[157] The instrument has only just been launched and its first results will have to be followed closely with a view to preparing for the next programming period.

[150] EC (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF)*, pp. 7,9,25-50
[151] See response of the Deutscher Sparkassen- und Giroverband (DSGV) to the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP) available at:
[152] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1505
[153] "EU Financial Instruments for RTD and Innovation", EC – DG Research & Innovation – Directorate C Research & Innovation, 25 January 2012
[154] European Commission (2011), *A framework for the next generation of innovative financial instruments - the EU equity and debt platform*: Communication from the Commission, COM (2011) 662 final, 20 pp.
[155] CSES & EIM (2011), *Final Evaluation of the Entrepreneurship and Innovation Programme*, 168 pp.
[156] GHK & Technopolis (2010), *Interim Evaluation of the Entrepreneurship and Innovation Programme*, 148 pp.
[157] European Court of Auditors (2011); *The Audit of the SME Guarantee Facility*: special report N°4, 70 pp.

5.2.2. Increasing the use of risk-sharing mechanisms to permit a higher leverage of EU resources

As mentioned previously, despite its success, the RSFF was found to have been unsuccessful in supporting universities and research centres, as well as research infrastructures, which have a higher risk structure, given that they do not generate any revenues. The Expert Group report found that this weakness was largely due to the project-based approach to risk-sharing, which limited the possibility to make use of the EC's contribution to cover certain riskier projects.

Based on these acknowledgements, the Commission and the EIB agreed, in December 2011, to amend the RSFF framework agreement and to introduce a different approach to risk-sharing. First of all, the project approach has been substituted by a portfolio approach, in which losses are covered for a portfolio of loans provided to specific target groups to allow for a distribution of risk and, thus, increase the volume of finance that can be generated with a certain amount of budgetary funds set aside to cover provisions and capital allocations. Secondly, the RSFF has shifted to a first-loss piece approach in which the EC contribution can be used first to cover potential losses, of up to 50% of the loan value in the specific case of research infrastructures, whereas the EIB contribution would only be called upon in the event of potential losses exceeding the EU contribution.

Up till now, Research Infrastructures faced major barriers and obstacles in accessing RSFF loan finance, partly due to the strict definition of RIs, which has now been enlarged, but also to the fact that loan finance is not foreseen in the statutes of a number of such organisations, or that there might be limited revenue generation for loan repayment, thereby restricting the possibilities to structure a bankable project. The first results of the December 2011 reform of the RSFF are already present, with two new agreements signed with RIs in Europe since the beginning of 2012.

The review of the RSFF risk-sharing mechanisms will allow to mobilise a larger contribution by EIB and private sector financing sources and thereby increase the leverage or multiplier effect of the Bank's resources, making it possible to do more with the same levels of EU funding.[158]

However, the Expert Group also recommends expanding the RSFF's scope, commenting that the EC's risk capital-contribution to RSFF in the form of a provision for expected and unexpected loss rather than as an interest rate subsidy is "a unique feature" that opens up many similar opportunities for combining publicly funded budgetary resources with private debt loan resources, in areas such as key enabling technologies, climate change, energy saving, demography (ageing), but also social cohesion. For instance, RSFF could be adapted as a vehicle for structural funds and regional investments supporting smart specialisation, clusters and regional poles of excellence. Another area where RSFF could intervene in future is to cover projects aimed at bridging the gap between R&D and commercial application (the so-called "valley of death"), via support to demonstration activities and pilot plants, which are currently not eligible under FP7. This would complement EIF activities in technology transfer.

This expansion of the RSFF would however imply that additional debt sources would be required. With respect to this, the Expert Group recommends that the EC and EIB take steps, not only to ensure that RSFF is available to support the financial development of these sectors but also to work in collaboration with third party financial institutions both as investors and as lenders to further extend the availability of risk based financing.

Another view is that new mechanisms could be developed to stretch available resources even further in these difficult public funding times, namely by evolving towards a revolving fund system (so that income from the loans that are already being repaid can be made available to finance future operations).

[158] European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, p. 49.

The concept of the revolving instrument is also one that could be applied to other financial instruments, enabling them to reuse the capital/budget resource of the instrument (whether generated by the loan reimbursements, the guarantee provisioning corresponding to the non-called guarantee or first loss piece, the permanent capital of a fund, risk remunerations, dividends, or other) to finance additional investments according to the same eligibility criteria and with the same objectives as agreed initially when setting-up the instrument. Such a mechanism would help to ensure the continuity of the instrument, thereby making it more suited to the longer term economic horizon of investment projects, while also reducing the contribution required from the EU budget and cutting administrative costs related to the setting-up of a new fund at the end of a budgetary period or when the grant amount has been completely consumed.

The European Fund for South East Europe was conceived and set up as a revolving fund, to make small and micro loans available to SMEs at preferential rates through local partner institutions. It means that loan repayments are used to fund new loans. The 2020 European Fund for Energy, Climate Change and Infrastructure (the "Marguerite" Fund) and the European Energy Efficiency Fund (currently undergoing structuring) are financial instruments with a revolving character. Outside the EU (under the Instrument for Pre-Accession Assistance (IPA) and the European Neighbourhood and Partnership Instrument (ENPI)), the same approach has been followed to structure various instruments: SME Finance Facilities, Green for Growth Fund, Eastern Neighbourhood Small Business Growth Fund, Eastern Partnership SME Finance Facility and the Neighbourhood Investment Facility ("In accordance with the ENPI Regulation and the Financial Regulation, profits generated by the funds and arising from future NIF operations will be reallocated for further NIF operations.") Hence, the benefits of the revolving nature of a financial instrument – beyond the lifetime of a multi-annual financial framework – have already been recognised by the Commission. In addition, in various countries such as in the US, experience has shown that using federal grants to seed a revolving loan programme for environmental projects is preferable to direct grants mainly because it allows self-sufficiency in providing funds for future projects.[159]

Lastly, the RSFF should pursue its geographical deployment beyond the currently covered 21 countries. This is namely reflected in the performance indicators that have been set for the EIB and for the EIF with regard to the RSI. Of course, given the demand-driven nature of the instrument, full EU geographical coverage is difficult to ensure, in particular in smaller Member States that do not necessarily have projects of a sufficient scale to obtain RSFF backing and in Member States with less mature financial markets and limited RDI activities. Nevertheless, the creation of the RSI targeting innovative SMEs/Midcaps should enable broader geographical take-up and must be accompanied by awareness-raising campaigns so that all potential beneficiaries are aware of the existence of the two instruments.

5.2.3. Improving the role of the EIB/EIF in supporting access to equity for R&I-based SMEs

As pointed out by respondents to the CIP Public consultation, equity capital is considered to be one of the most relevant financial instruments in terms of promoting competitiveness and innovation. What's more, the development of EU level instruments is considered very relevant (74%), while national and regional level instruments are deemed less important.

One should point out here that there are basically three types of equity available to SMEs that are not listed on the stock market: FFF (friends, fools and family, who often provide starting entrepreneurs with the first seed capital), BAs (business angels, also called informal investors, who provide capital and managerial experience and are key to high-risk innovative start-ups, because they have relatively large capital requirements (for example laboratory or testing equipment in biomedical firms, advanced technological equipment for nanomatericals or clean rooms in semiconductors) and

[159] European Investment Bank (2011), Non Paper : "*The Case for Revolving Financial Instruments*"

venture capitalists (also called private equity firms, who require more "proof of concept" and typically provide larger investments than business angels).

Despite years of policy initiatives to promote venture capital in Europe, it remains a niche sector compared to other sectors of the European investment funds industry and to the broader sector of 'private equity'.[160] There exists a wide consensus that the relatively poor performance of European venture capital has hindered European firms from competing on an equal footing with American firms.[161] To illustrate the differences in performance, the Commission points out that, while the US, in the period from 2003-2010, channelled approximately €131 billion into Venture capital funds (VCFs), European VCFs only raised €28 billion in this period. What's more, while the average United States venture capital fund assembles €130 million of assets under management, the average European VCF size is around €60 million. In consequence, venture capital, at this stage, plays a minor role in the financing of SMEs, which depend primarily on bank loans (for more than 80% of their finance), while only 2% of their finance is supplied by venture capital specialists. The corresponding figure for the United States is 14%.[162]

A recent paper from the EIF finds that the poor performance of the European VC industry can most likely be explained by the fact that the industry has not reached a critical mass due to its fragmentation across a number of countries with different legal and regulatory regimes which makes cross-border investment more complicated.[163] In addition, the EU VC market lacks of efficient and liquid exit mechanisms and it has been particularly impacted by the financial crisis, leading to a major contraction of the market size and the increased role of public VC schemes. The remaining market failures to create an EU VC market is a key challenge voiced by respondents to the Public Consultation on the CIP financial instruments.[164]

Current EU legislation contains no specific provisions aimed at reducing fragmentation of VC markets and channelling equity funds to SMEs. However, the Commission has recently issued a proposal for a Regulation aimed at truly integrating the VC market in Europe[165], allowing EU venture capital funds to market their funds and raise capital on a pan-European basis across the Single Market and thereby strengthening the supply of venture capital.

Asides from this initiative, it will also be essential that EU facilities for venture capital investments into innovative SMEs continue to address the market gap that SMEs face in getting access to equity, leveraging through the large experience and long practice of the EIB/EIF as well as other appropriate financial intermediaries with the necessary expertise.

In light of this, the EU's High Growth and Innovative SME Facility (GIF), operated by the EIF on behalf of the Commission under the CIP retains all its relevance in the next Financial Framework. With a budget of over € 600 million, this Facility aims to increase the supply of risk capital/equity for innovative SMEs in their early stages (GIF1) and in the expansion phase (GIF2). During the period 2007 to 2009: the GIF has supported the creation of 18 VC funds in 15 countries, resulting in €204.9 million of EU investments supporting 82 SMEs, of which two thirds indicated that they would not have set up the business or made a particular investment without the financial support received.[166] The external evaluation of the GIF also found that the instrument had a strong leverage effect (6 to 1, thereby

[160] European Commission (2011), *Impact Assessment Accompanying the document Proposal for a regulation of the European parliament and of the Council on European Venture Capital Funds*: Commission staff working paper, SEC (2011) 1516, 174 pp.
[161] European Investment Bank (2009), *The role of venture capital in alleviating financial constraints of innovative firms*, EIB Papers, Volume 14, N°2: R&D and the financing of innovation in Europe, 24 pp.
[162] European Commission (2011), *Proposal for a regulation of the European Parliament and of the Council on European Venture Capital Funds*, SEC (2011) 1515, 28 pp.
[163] European Investment Fund (2011), *The Performance and Prospects of European Venture Capital*, Roger Kelly, 24 pp.
[164] European Commission (2011), *Public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP)*: Final report, 15 pp.
[165] EC (2011), *Proposal for a regulation of the European Parliament and of the Council on European Venture Capital Funds*.
[166] CSES & EIM (2011), *Final Evaluation of the Entrepreneurship and Innovation Programme*.

leveraging €1.3 billion of total investment) and that beneficiaries were generally more active with regard to innovation.

Nevertheless, the GIF 1 instrument does not really allow for the incorporation of BA financing. This is namely due to the fact that the business angel market is considered to be underdeveloped and insufficiently structured in Europe, where roughly 75,000 business angels invest an estimated total of €4 billion per year, compared to about 260,000 business angels in the US, investing about $20 billion annually.[167]

This remark is important because BAs and venture capitalists are largely interdependent. Indeed, ultimately, BAs are in need of an exit strategy to make money: they have to sell their share in a successful start-up company to a venture capitalist to cash in on the value they helped creating with their capital investment and managerial advice. Hence, VCs depend on BAs to bring them interesting investment proposals while BAs need VCs to make money. The interdependency is crucial, because VCs lost a lot of money in the financial crisis and therefore have limited or no capital available to make new investments. This prevents BAs to make exits from their current investments and make new investments with the proceeds. Hence, at every growth stage for innovative SMEs, less equity is available than at the 2007 high point. This clearly limits the possibilities for innovation in new firms and SMEs. In this respect, special attention should be given to facilitating the access of SMEs to business angels.

The EIF has recently launched a pilot business angel co-investment programme in Germany[168]. The Facility aims to provide co-investment with approved individual angel investors (and other non-institutional investors, e.g. family offices) to SMEs (incl. start-ups/early stage). If successful, the programme will be rolled out to other countries across Europe. Such pan-European coverage will provide the full benefit to investors and the BAs market by promoting best market practices in the non-institutional investors segment, ensuring the coordination of alignment of objectives of policy investors in view of creating a truly European BAs market, and by providing a well diversified underlying portfolio of BA investments of critical mass to reach an interesting risk-return profile providing for downside capital protection and a risk-commensurate return potential.

5.2.4. Improving the coherence and efficiency of existing instruments: The role of the debt and equity platforms

Current financial instruments operating in different sectors have been developed independently, leading to a proliferation of different financial support schemes for RDI, with the associated risk that access to finance for RDI in Europe becomes more complex and somewhat opaque, and that problems of coherence emerge. This is particularly true as many schemes are or will be earmarked to particular groups and sectors, and hence governed by different sets of rules and regulations. Within the framework of research and innovation funding, there are at least 30 funding schemes that apply, with rules on eligibility, accounting, reporting and auditing that vary in a number of aspects.[169] These specificities can act as significant obstacles to effective access and correct implementation.

A problem that is highlighted in numerous reports is that of the lack of a common approach to the use of equity and debt instruments, and the multiplication of instruments developed in parallel, complicate relations with financing partners, in particular the EIB and other IFIs and reduce the leverage the EU has when dealing with the banks. It also negatively affects the outside visibility of EU intervention and its transparency vis-à-vis markets.[170]

[167] Figures available at European Business Angel Network, www.eban.org
[168] European Investment Fund (2011), Business Angels in Germany EIF's initiative to support the non-institutional financing market, Helmut Kraemer-Eis, Markus Schillo
[169] European Commission (2011), *A Budget for Europe 2020: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues*: Commission working paper, p. 17.
[170] EC (2011), *A Budget for Europe 2020: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues*, p. 17.

In its Communication of 19 October 2011, the Commission proposes a new framework for the next generation of financial instruments under the Horizon 2020 programme for Research and Innovation, calling for a rationalisation of the management of these instruments based on two platforms:

- the EU Equity Platform that would (i) invest in technology transfer and intellectual property vehicles and in venture capital funds providing equity finance to early stage RDI-intensive SMEs, and (ii) support investments in RDI sectors by targeting thematically focused, multi-country funds-of-funds with a broad investor base, including private institutional and strategic investors. and ;
- an EU Debt Platform providing loans to single beneficiaries for investment in RDI, guarantees to financial intermediaries making loans to beneficiaries, combinations of loans and guarantees and guarantees and/or counter-guarantees for national or regional debt-financing schemes.

Likewise, to support competitiveness and SMEs, two financial instruments are proposed under the Programme for Competitiveness of enterprises and SMEs (COSME):

(1) An equity facility for growth-phase investment, which will provide commercially oriented reimbursable equity financing primarily in the form of venture capital (VC) through financial intermediaries to SMEs.

(2) A loan facility, providing direct or other risk sharing arrangements with financial intermediaries to cover loans for SMEs and provide cross-border lending or multi-country lending with a high leverage effect.

While the Horizon 2020 instruments target innovative projects only, regardless of the type of entity, and the COSME instruments target SMEs and mid-caps only, there are undoubtedly commonalities between the two instruments, which should be maximised through an integrated approach in order to avoid the risks of overlap and duplication.

5.3. RECOMMENDATIONS

As a general remark and without prejudice to the central role that the EIB Group already plays and will continue to play in the design and management of financial instruments, a number of studies point out that it is in the EU budget interest to pool resources and financial expertise from all financial institutions (EIB Group, IFIs and public national financial institutions) in the implementation of EU and national/regional financial instruments. This could be achieved either by involving various institutions in the implementation and management of an EU instrument or by using investment vehicle structures involving investment from several such institutions.[171]

The previous section provided a brief overview of the key challenges regarding the role of the EIB and innovative financial instruments in budget support to EU research and innovation. Table 5-1 offers a concise overview of measures proposed to tackle the identified challenges.

[171] Regards-Citoyens (14/02/2011), Cardot P., *Financial Instruments in the next Multiannual Financial Framework : principles, policy areas and volume / From co-financing to co-investment* available at http://www.regards-citoyens.com/article-financial-instruments-in-the-next-multiannual-financial-framework-principles-policy-areas-and-volume-from-co-financing-to-co-investment-67120387.html

Table 5-1: Recommendations for improving the role of the EIB in supporting innovation-related budgetary efforts.

ISSUE	SPECIFIC MEASURES
Supporting access to debt finance for R&I-based SMEs	• Closely monitor the new pilot RSI initiative over the 2012-2013 period to evaluate its performance and ensure complementarity with the SMEG. • Include risk-sharing arrangements for intermediaries in EU programmes should increase their capability to take risk and, thus, increase SME finance through house banks.[172]
Increasing the use of risk-sharing mechanisms to permit a higher leverage of EU resources	• Expand RSFF to areas such as key enabling technologies, climate change, energy saving, demography (ageing), and social cohesion. For instance, RSFF could be adapted as a vehicle for structural funds and regional investments supporting smart specialisation, clusters and regional poles of excellence. Another area where RSFF could intervene in future is that of technology deployment, via support to demonstration activities and pilot plants, which are currently not eligible under FP7. Furthermore, the RSFF could be more systematically used to fund open innovation activities between corporations, research institutes and SMEs.[173] • The EC and the EIB should take the necessary steps to enhance collaboration with third party financial institutions, both as investors and as lenders, to further extend the availability of risk based financing. • The RSFF should work more actively with financial or corporate intermediaries and in support of public-private partnerships (PPPs) in conjunction with ETPs, JTIs and JUs (Joint Undertakings).[174] • Develop new mechanisms to stretch available resources such as revolving fund systems (so that income from the loans that are already being repaid can be made available to finance future operations). • Provide an increased contribution from the EC at a level of 'no less than € 5 billion' in the next programming period. Funds put up by the EC should not just come from FP7 but from other areas of the budget with an underspend such as agriculture or the European Economic Recovery Plan.[175] • As a complement to the existing RSFF facilities, develop new forms of public private risk-sharing to meet regional RDI needs, drawing on the experience of the existing JEREMIE financial programme. Such a PPP should blend Structural Fund resources, potentially mixed with FP7/Horizon 2020 funding, with lending from the EIB (and possibly other financial intermediaries) and be based on a different risk sharing concept given the grant nature of the SF.
Supporting access to equity finance for R&I-based SMEs	• Address fragmentation of the VC market through EU legislation. • Seek to retain traditional investor classes while also attracting new investors, such as BAs and corporate investors, through VC support. • Investigate the possibility of developing impact investing (supporting funds in other intermediaries that have dual social and environmental objectives and financial objectives) in support of other policy objectives.
Coherence and efficiency	• Ensure all new initiatives (both central and regional programmes and funds) are complementary. Monitor implementation through regular evaluation to ensure effectiveness and develop greater synergy and complementarity

[172] European Association of Public Banks (2011), *Position Paper on the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP) and on financial instruments under future EU programmes in the field of Competitiveness and Innovation*, 4 pp.
[173] Synergies Expert Group (SEG): Final Report, 2011, p. 34
[174] European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, pp. 19, 26
[175] European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, pp.7, 48,52

ISSUE	SPECIFIC MEASURES
	between sectors and financial instruments & funds. A certain degree of rationalisation of existing/future financial schemes should be targeted."[176] • Design financial instruments to be as flexible as possible to ensure sufficient reactivity to evolving market needs. Simplify budgetary processes to reflect a reasonable balance between EC specific requirements in terms of financial control and reporting obligations, and market conditions. This will also reinforce the EC's ability to partner up with private partners. • Reinvest reflows and unused budgets from predecessor programmes into the new programmes with ring-fenced objectives. • Develop financial support targeting the whole SME development cycle, from early start-up to expansion stages, including technology transfer and IPR. • Closely monitor the banking regulatory environment to ensure it does not overly constrain the willingness of private banks to provide finance to SMEs. • Implement common rules for equity and debt instruments to ensure an integrated vision of the use of financial instruments at EU and national / regional level. Integration should be achieved by embedding as far as possible the key principles in the Financial Regulation to ensure the buy-in of all actors in the set-up of financial instruments to the vision of streamlining and standardisation and to harmonise delivery mechanisms. This will help to streamline relations with financing partners, in particular the EIB and IFIs, and provide leverage to the EU when dealing with banks. It will provide transparency vis-à-vis the markets on how the EU intervenes in equity and debt instruments, ensuring higher visibility of the EU's intervention.[177] • The design of future debt and equity instruments should be guided by the following principles:[178] o Mandatory use of the platforms for internal policies, while for cohesion policy, where the principle of shared management with Member States applies, the platforms would be presented as best practice models, coupled with strong incentives for Member States to follow the EU level approach. Existing innovative financial instruments should be aligned to the two platforms. o Proper governance arrangements: the debt and equity platforms must be appropriately designed and have appropriate governance structures to ensure that the EU has effective oversight of the financial operations and investments, while also ensuring sufficient flexibility in terms of delivery.

[176] EC (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility (RSFF):* Final Draft of the Group of Independent Experts, 62 pp.
[177] EC (2011), *A Budget for Europe 2020: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues*, p. 24, 25
[178] EC (2011), *A Budget for Europe 2020: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues*, 215 pp.

6. RQ5: SUPPORTING MARKETISATION OF IDEAS AND PROMOTION OF NEW PRODUCTS AND SERVICES

KEY FINDINGS

- The CSF should be designed to maximise innovation impacts by **covering full innovation cycle** from research to market uptake.
- The CSF should address a **broader innovation concept** that incorporates non-technological innovation and pays specific attention to social and eco-innovation.
- Industrial participation in the CSF can be increased by **reducing complexity of rules and procedures, higher flexibility** and **adequate emphasis on projects of industrial relevance**.
- **Public Private Partnerships** prove to be **an efficient instrument** to increase industrial participation and commitment and should be supported by the CSF.
- A closer **cooperation between European Technology Platforms** should be encouraged where appropriate, such as for societal challenges.
- The CSF should focus on **mobilising private investors** (VC funds, Corporate VC investors, Business Angels) and as such increase the availability of private capital for innovative European SMEs.
- One of the main challenges for the CSF is to exploit the huge, largely untapped potential of the **public sector purchasing power** to drive innovation and stimulate private R&D.
- Today's fragmented patent system in the EU should be replaced by an **EU-wide patent system**, thereby facilitating a more cost-efficient and effective protection of Intellectual Property.

6.1. RATIONALE

It is essential for the EU to not only sustain the recent positive trends in research and innovation, but also to find ways to further improve them. To this end, Europe needs to bring R&D and innovation closer together and to focus on R&D and innovation impact rather than supply. Most research and innovation policies have in the past sought to promote the supply of innovations, with only limited consideration for the demand side.[179] If it is to close the innovation gap with its competitors, Europe needs to foster effective supply-demand matching in research and demand-driven innovation for growth, welfare and well-being. The rapid emergence of new competitors on the global stage, major demographic changes and the economic and financial crisis are indeed making the challenges even bigger and raising the stakes as well as the risks. While investment in research and innovation are widely seen as important to enable and support a sustainable economic recovery, the crisis however has the effect of reducing public and private resources available for research and innovation, thus calling for more impactful policies and spending.

If R&D can be a key element to stimulate innovation, it is neither a sufficient nor an exclusive one. Today innovation is recognised as resulting from a multitude of complex and interacting factors and pathways that encompass all types of research, new technologies and improvements in business processes, from their initiation through to commercialisation or uptake by industry and/or society.

[179] UNU-MERIT (2010), Soete L., *The costs of a non-innovative Europe: the challenges ahead*, 13 pp.

6.2. KEY CHALLENGES

6.2.1. Covering full innovation cycle from research to market uptake

A significant part of knowledge generated by the European R&D projects never finds its way to the market. One of the key reasons for that is attributed to the fact that the current funding programmes do not cover the full innovation cycle. As a result, exploitable know-how gets lost at multiple stages in the current process.

The main activities of the innovation cycle for knowledge-intensive products and services typically include R&D, acquisition of other knowledge (e.g., patents, licences, technical services etc.), acquisition of machinery and equipment (both incorporating new technology and for standard use when producing a new product), various other preparations for production/delivery, including tooling up, staff training, etc., and marketing.[180] The key steps and activities of the innovation cycle differ depending on the type of innovation (e.g., product vs. process innovation). The linear approach to innovation cycle, however, underestimates the complexity of the dynamics driving the marketisation of ideas. Innovation process is not linear, it is iterative, and it implies several loops. The innovation cycle brings together all actors involved: researchers, enterprises, users, investors, policymakers and society.

The financing of the innovation cycle is normally divided into three main phases: (1) funding of 'blue sky' or basic research and development (currently funded by FP); (2) funding of activities related to demonstration and early introduction to the market (currently funded by CIP), and (3) funding of the commercialisation of a new product or service.[181] The first phase is typically covered by public funds as, due to the risky nature of innovation and uncertain economic returns, it is difficult to attract private investment at this stage. Private investors usually enter during the second and third phases. Consequently, public funding typically decreases throughout the innovation cycle, with an opposite trend for private funds. At the same time, the costs associated with the innovation cycle increase steadily from basic research up to product development. Costs for post-research activities, i.e., testing, validation, field trials, pre-development, are typically between 10 to 20 times higher than those of stand-alone research.[182]

Under the previous FPs, thousands of projects have been supported, providing primarily phase one and phase two funding, which in many cases proves to be insufficient. Within FP7, so called Collaborative Projects (CP) distinguish between "Small and Medium-scale focused Research Projects" and "Large-scale Integrating Projects". Funding covers activities in research, demonstration, training, innovation, dissemination and management. FP projects have a typical duration of 3-4 years which is often not enough to go through all stages of the innovation cycle, from basic research and development to the competitive market. The total length of innovation cycle depends on the sector and the type of innovation, but for highly complex technologies, it often is 15 to 20 years long and implies high capital intensity.[183] Hence such technologies require a consistent multi-year programmatic approach.

In order to put Europe at the forefront of knowledge-based economy, the CSF should therefore cover the whole research and innovation cycle, from support to basic science and major research infrastructures to the promotion of open markets for new innovative products, thereby making full

[180] OECD (2005), *Oslo Manual 3th edition*: Guidelines for collecting and interpreting innovation data, 164 pp.
[181] Social Innovation Europe (19/06/2011), Intesa Sanpaolo, Accruing Interest: Innovative Funding that Perseveres, available at http://www.socialinnovationeurope.eu/node/1853
[182] European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper available at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses, cross-document analysis of Question 2
[183] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 2

use of regulations, standards, public procurement and intellectual property rights.[184] There is a clear need for extending the scope of funding towards closer to market activities. The funded projects should provide realistic exploitation plans focussing on activities related to piloting/proof-of-concept, testing and validation. Given that different technology types imply different duration of the innovation cycle, the requirements related to the exploitation plans should be tailored to the nature of technologies in question. While for some technologies (e.g., ICT), exploitation is likely to come to place within the project timeframe, for other technologies (e.g., bio- or nanotechnology), a phased approach is desirable. The latter implies several stages of funding. Additionally, different innovation cycle phases (research vs. exploitation) often require the involvement of different types of partners (universities and research institutes vs. Technology Transfer Offices (TTOs), suppliers, downstream industrial partners) which again supports the argument of a phased approach. Specific detailed recommendations for the CSF regarding this aspect are provided in Section 6.3.

6.2.2. Taking into account broad nature of innovation

Technological innovation alone is inadequate to address the complexities of the grand societal challenges. There is a need to embrace a broad concept of innovation, including non-technological and non-research based innovation and activities such as design, creativity, service, process and business model innovation. In this respect, social innovation and eco-innovation deserve specific attention.[185]

Social innovation refers to new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations.[186] Social innovation is crucial for many areas of sustainable development at regional, national and European level. For example, changing lifestyles, new forms of globally connected research and innovation activities utilising Internet 2.0, new business models for open innovation, but also challenges of public security, require underpinning research.[187]

The Innovation Union and Europe 2020 Communications also recognise social innovation as "an important new field which should be nurtured".

Social Innovation Europe (SIE) Initiative[188]

Launched by the Commission on 16 and 17 March 2011 under the CIP, the objective of this initiative[189] is to build and streamline the social innovation field in Europe by using three overlapping approaches:

- Conducting research that leads to recommendations for action to support the best work in the field of social innovation in Europe;
- Hosting online hub that aims to provide the latest information on European social innovation - featuring interviews with prominent innovators, case studies of successful ventures, the latest research, and in-depth analysis from the leading thinkers in the field;
- Hosting a series of events across Europe to bring social innovators together offline and build partnerships across countries and across sectors to share strengths, challenges, and direction of the social innovation field.

Specificities that need to be taken into account when incorporating the notion of social innovation in the CSF are as follows:[190]

[184] Horizon 2020 - The Framework Programme for Research and Innovation - Impact Assessment Report, pp. 24-25
[185] EC (2011), *Green paper on a common strategic framework for EU research and innovation*: Analysis of public consultation, p.24
[186] NESTA and The Young Foundation (2010), Murray R., Caulier-Grice J., and Mulgan G., *Open Book of Social Innovation*, p. 224
[187] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 14
[188] Information about Social Innovation Europe is available at http://www.socialinnovationeurope.eu/about
[189] Social Innovation Europe is run by a consortium of European partners including the Danish Technological Institute and Euclid Network, and led by the Social Innovation eXchange (SIX) at the Young Foundation, UK.

- Social innovation is usually associated with non-technological, disembodied forms of innovation (new approaches and models). However, it is often closely linked to technological forms of innovation, and the distinction between the two becomes blurred. Non-technological innovation thus goes hand in hand with technological innovation.
- Because of the intangible nature of social innovation, it is often difficult to reach the same research depth as in 'traditional' technological disciplines. This point needs to be taken into account when assessing the quality of potential RDI projects. Social innovation projects might be more application-orientated and to a larger extent contain incremental improvements and a mix between technological and non-technological disciplines.
- Social innovation is cross-disciplinary and multidimensional. It implies deep synergies with other intangible assets (human capital, social capital, information system, clients, stakeholders, brand and reputation). Furthermore, it is user-driven innovation (instead of research-driven innovation).
- A shift can be observed from purely technological and product innovation, which is largely dependent on R&D, towards user-centred and network models of innovation.

Example of social innovation: Alison.com (Free Education Online)

A UNESCO award-winning innovative business model created by Mike Feerick allows for the learning of any subject to be provided online, free of charge, to anyone, anywhere. The model is based on free certification so that learning achievements can be challenged and verified at any time. This scalable and sustainable new model of education and training could profoundly impact the availability of free learning across the world.[191]

Another form of innovation that requires specific attention is that of eco-innovation. Eco-innovation is about changing consumption and production patterns and market uptake of technologies, products and services to reduce the impact on the environment.[192] This can be linked to the more detailed definition of eco-innovation by the Sectoral Innovation Watch, which describes it as "the creation of novel and competitively priced goods, processes, systems, services, and procedures designed to satisfy human needs and provide a better quality of life for everyone with a life-cycle minimal use of natural resources (materials including energy and surface area) per unit output, and a minimal release of toxic substances".[193] Eco-innovation in the form of developing new resource-efficient and green technologies therefore contributes to global sustainability, European competitiveness, and can ultimately help Europe in the transition to a low-carbon economy.[194] Specific detailed recommendations for the CSF regarding this aspect are provided in Section 6.3.

6.2.3. Strengthening industrial participation

Industrial participation in the FP is currently at a historically low level. It has decreased from 39% in FP4 to 31% in FP6 and to 25% in FP7.[195] One of the reasons for this decreasing industrial participation over the past 10-15 years could be attributed to a general perception that access to EU-level programmes is both complicated and time consuming. Specifically, complexity of rules, slow procedures, lack of flexibility, and inadequate emphasis on projects of industrial relevance reduce the much needed industrial participation in FP. To reverse the decreasing participation ratio by industry, the Commission has meanwhile taken a step towards simplification of the administrative burdens, by

[190] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 14
[191] More information about Mike Feerick is available at http://www.socialinnovationeurope.eu/node/2952
[192] More information about eco-innovation is available at http://ec.europa.eu/eaci/eco_en.htm
[193] Europe Innova (2008), *Sectoral Innovation Watch in Europe: Eco-innovation*: Final report, , p. 2
[194] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 14.
[195] European Commission (2009), *Communication on the progress made under the 7th European Framework Programme for Research*, 86 pp.

releasing on January 24th 2011 its decision on three first simplification measures[196] (see also Research Question 6).

Other important reasons for low industrial participation include the following:[197]

- a high perceived risk that project proposals will not be selected for funding due to high competition; as a result, associated investments in the proposal are considered to be not justified, especially if the industrial partner is coordinating the consortium (industrial participation in EU RDI programmes depends strongly on the selection of themes on the one hand and on the ratio of costs and benefits of participation on the other);
- IPR issues, in particular, in projects involving competing companies;
- unpredictability or long-term horizon regarding return of investment/expected profitability, in particular for SMEs;
- lack of reliable commitment – political, but especially financial - of MS and regions to the new instruments that require multi-sourced funding;
- rules related to national funding are often perceived to be easier to follow than the European ones in terms of associated bureaucracy.

Despite the abovementioned challenges, there is an ongoing global paradigm shift in industry from proprietary and in-house innovation generation models towards the "open innovation" model. This shift provides an opportunity to increase the involvement of the industry in innovation processes and complement public money and expertise by industry money and expertise. Companies start to recognise the need for and opportunities provided by sourcing innovation beyond the companies' borders and R&D functions, and consider the value of publicly supported R&D and innovation for their current and future value propositions. This is particularly true for stages of the innovation cycle where early stage SMEs (seed and start-up) focus on final steps of technology development with a focus on market introduction and penetration. The same applies to innovation processes within projects in the most R&D intensive fields and sectors (e.g., biotechnology, semiconductors, etc.).[198]

Joint Technology Initiatives (JTIs) represent an example of efforts to increase industrial participation in R&D in Europe. However, the dominance of industry in the control of intellectual property rights coming from JTIs has led to many problems, making the programme unattractive for potential non-industrial participation. To encourage strong partnerships between industrial and non-industrial players, the requirement of equal funding from industry and the EU to finance JTIs should come with equal control over the rules and regulations governing IPR and other financial issues.[199] Specific detailed recommendations for the CSF regarding this aspect are provided in Section 6.3.

6.2.4. Supporting public-private partnerships

Public Private Partnerships (PPPs) are reported to play a complementary role to the traditional FP projects in that they can foster research and innovation directly relevant to the society, having a focus that is more oriented towards commercialisation and market take-up. It is, however, important to realise that PPPs operate in a different part of the value-chain compared to traditional pre-competitive collaborative research projects.[200]

[196] European Commission (2011), *Communication on the application of Regulation 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights*, 16 pp.
[197] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[198] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[199] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[200] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15

Key advantages attributed to the PPP approach are as follows:[201]

- PPPs provide a renewed confidence to invest in long-term research even when faced with short-term economic problems;
- PPPs offer a leading role for industry, including SMEs, in the definition of the strategic priorities and the implementation of the research;
- PPPs represent a multi-annual integrated work programme with a pre-defined budget, ensuring continuity and allowing industry to make long-term investment plans;
- PPPs imply a cross-thematic approach going from basic and applied research through to validation and large-scale demonstration, with an increased emphasis on impact and exploitation;
- PPPs provide increased opportunities to support innovation in SMEs; and
- PPPs imply a single-stage submission of proposals leading to a faster evaluation process and time to contract.

CATRENE: Cluster for Application and Technology Research in Europe on NanoElectronics[202]

The EUREKA programme CATRENE (Cluster for Application and Technology Research in Europe on NanoElectronics) has the ambition for Europe and the European companies to deliver nano/microelectronics solutions that respond to the needs of society at large, improving the economic prosperity of Europe and reinforcing the ability of its industry to be at the forefront of the global competition. CATRENE builds on previous EUREKA programmes and aims to foster the continued development of a dynamic European ecosystem with the necessary critical mass to compete at a global level in high technology industries.

Key challenges currently associated with PPPs are as follows:

- High level of bureaucracy, complexity and rigidity stemming from the status of Community Body of the current Joint Undertakings (JUs) set up to implement the Joint Technology Initiatives (JTIs);
- Oversubscription levels that often are unbalanced between countries and budgets running out in one of more partner countries can cause entire consortia to collapse and require complicated repair attempts;
- In the selection process, the Community approach in pursuit of the common interest is reported to clash with the intergovernmental approach in pursuit of national interests.[203]

Specific detailed recommendations for the CSF regarding these aspects are provided in Section 6.3.

6.2.5. Enhancing the role of European Technology Platforms

European Technology Platforms (ETPs) provide a framework for stakeholders, led by industry, to define research priorities and action plans on a number of technological areas. These technological areas refer to the ones where achieving EU growth, competitiveness and sustainability requires major research and technological advances in the medium to long term. Some ETPs are loose networks that come together in annual meetings, while others are establishing legal structures with membership fees. ETPs work on developing and updating agendas of research priorities for their particular sector. These agendas constitute input to define European research funding schemes. Since agendas are developed through dialogue among industrial and public researchers and national government representatives, ETPs also contribute to creating consensus and to improving alignment of

[201] More information about PPP's in research is available at http://ec.europa.eu/research/industrial_technologies/ppp-in-research_en.html
[202] More information about Catrene is available at http://www.catrene.org
[203] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15

investment efforts. ETPs are independent organisations not owned by the Commission. The Commission, however, supported their creation and remains engaged with them in structural dialogue on research issues.[204]

The key advantages of having ETPs are reported to be as follows:[205]

- ETPs fulfil an important role in policy development, in formulating joint R&D strategies and also in community building;
- ETPs give a voice to the various technology communities they are representing, provide strategic information, roadmaps and Strategic Research Agendas;
- ETPs help the research communities to better address policy objectives and societal challenges; some of them have focused particularly on implementing PPP models;
- ETPs allow for an industry-led holistic approach to innovation, based on a shared vision of all stakeholders and with regulatory and demand-side aspects included right from the start.

Through these activities, ETPs contribute to the competitiveness of European industry. However, the situation of individual ETPs varies in terms of operational and financial resources. Detailed recommendations for the CSF regarding these aspects are provided in Section 6.3.

6.2.6. Developing open and fast implementation schemes for SMEs

SMEs are often referred to as the backbone of the European economy, as they provide a potential source for jobs and economic growth.[206] There are many types of SMEs in Europe, and only a portion of them is actively involved in RTD&I.

SMEs with limited resources lack the manpower and experience to apply for EU funding. They can hardly afford consultants to support them in this matter. Experience from previous FPs shows that a considerable number of high-tech SMEs and academic collaborators, that may be interested in participating, drop out when faced with the requirement of matching financial contributions. Such enterprises tend to be at the stage in their evolution when resources are extremely tightly constrained and exploratory expenditure is a luxury that only few can afford. Additionally, FP project coordinators normally wish to keep the size of the consortium to a minimum in order to maximise the efficiency of the project. Project coordinators, however, report to be happy to have SMEs as associate partners or sub-contractors. SMEs would prefer to take up the more focused role of a sub-contractor, which better suits their very limited resources for research.[207] In case SMEs are involved as direct partners, an adjustment in proportions to match financial contributions would be recommended, i.e., significantly lower percentage would need to be matched by SMEs when compared with large companies.

As venture capital for SMEs is not widely available in Europe, they are often pre-financed and/or owned by large companies. Many entrepreneurs prefer to retain 100% ownership of their enterprise and, accordingly, do not seek support from VC investors. However, they may not have the necessary scale and financial resources to successfully compete against larger industrial players. Such SMEs often have limited access to growth capital or finance, be it in the form of equity (either private or

[204] More information about European Technology Platforms is available at http://cordis.europa.eu/technology-platforms/
[205] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[206] More information about SMEs is available at http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/special_sbs_topics/small_medium_sized_enterprises_SMEs
[207] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question16

through the stock markets) or debt instruments. Therefore, they face a "growth capital gap" and are often forced to postpone or forego new opportunities for growth and innovation.[208]

An important challenge is to bring the extremely fragmented European VC ecosystem to critical mass and coherence, enhance professionalisation, establish and develop European market standards and support cross-border and pan-European cooperation between national and regional actors. Given that innovation usually applies to at least European if not global markets, a too narrow focus of investors and their inability to benchmark and access a wider network and markets can considerably hamper the development of the financed innovative SMEs.[209]

The RSFF and the CIP-connected horizontal instruments (GIF and SMEG) are reported to demonstrate clear benefits. They offer solutions in cases where market failures occur with respect to the financing needs of some SME categories like small firms in the first expansion phase, and high growth SMEs in further expansion stages.[210] Specific detailed recommendations for the CSF regarding these aspects are provided in Section 6.3, as well as in Research Question 4.

6.2.7. Introducing new approaches to supporting research and innovation

In its Factual Background Note on Research and Innovation Policy for the meeting of the special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013, European Parliament suggested that a moratorium on new instruments should be considered until the existing instruments have been sufficiently developed and adequately evaluated. Furthermore, a confusing proliferation of instruments should be avoided.[211]

The results of public consultation for Horizon 2020 suggest that one of the main policy challenges for RDI is to exploit the huge, largely untapped potential of the public sector purchasing power to drive innovation and stimulate private R&D (so-called public technology procurement or innovative procurement). Such approach would at the same time provide public sector bodies with innovative solutions to perform their public tasks and to better address societal challenges.

Purchasing innovative solutions at public sector level is anticipated to lead to the creation of lead markets, boosted industrial innovation, better performing government and solutions to societal problems. However, two conditions are reported to be necessary here: a coherent policy and a professional public procurement process. A coherent policy implies a procurement policy that is an integrated part of the general innovation policy and that addresses all the relevant (government) stakeholders and encourages them to purchase new innovations. A professional public procurement process, in turn, means structuring organisation, knowledge, and incentives in order to make procurement of innovation possible.[212]

In this context, soft measures are recommended to be taken, including guidance, sharing of best practice and enhanced dialogue between the public and private sectors. Initiatives among Member States aiming at joint procurement of innovative products and services need to be supported. Rather than prescriptive technical specifications, functional specifications are more appropriate, as these are technology-neutral and leave more room for innovative solutions.[213]

[208] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question16
[209] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question16
[210] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question16
[211] EP (2011), *Factual Background Note on Research and Innovation Policy* for the meeting of the special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013, 18 pp.
[212] OMC-PTP (2009), Veys C. et al, EU project Procurement of Innovation: *Exploring Public Procurement of Innovation as a Strategic Innovation Policy Mix Instrument*, 82 pp.
[213] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 19

Another key challenge refers to the fact that technological advances develop more rapidly than the tax law, often resulting in barriers to investment in future competitiveness. One possible way to boost the supply of innovation can be to lower the corporate tax rate for innovation-related profits, e.g., from royalties or the sale of patents. Such an approach has, for example, been adopted in The Netherlands, where, under an "Innovation Box programme", innovation-linked profits benefit from a tax rate of 5%, while the general rate is of 25.5%. Tax measures specifically targeting innovation generally lead to increased innovation activities, particularly R&D activities. However, there is a risk of simply shifting R&D from other jurisdictions and subsidising R&D activities that would have occurred even without the tax credit.[214] Specific detailed recommendations for the CSF regarding these aspects are provided in Section 6.3.

6.2.8. Advancing Intellectual Property Rights

Intellectual Property Rights (IPR) are still mainly protected by national rather than EU laws. Defending them in each individual EU country can be complicated and costly, therefore further harmonisation is desirable.[215]

IP protection is covered by many international conventions, most of which are implemented by the World Intellectual Property Organisation (WIPO) and the World Trade Organisation (WTO). The European Union currently has two bodies to carry out its mission: the Office for Harmonisation in the Internal Market (OHIM), which is responsible for the registration of Community trademarks and designs, and the European Patent Office (EPO). The Commission is also campaigning for the introduction of a Community patent system, which is expected to be less costly and more legally effective, as a guarantee of competitiveness for European industry.

The current system which requires separate registration in each MS, even when validated by the EPO, is reported to be cumbersome and expensive compared to the situation in other leading economies like Japan and the U.S. In the latter, the Bayh-Dole Act explicitly allows universities and other research institutions to retain Intellectual Property Rights based on publicly funded research since 1980. This and other legislative initiatives aimed at the protection and dissemination of research results have made US academic institutions important participants in the innovation process.[216]

Unitary patent

On 27 June 2011, the EU Council agreed on a general approach to two draft regulations on the unitary patent for Europe related to enhanced cooperation on unitary patent protection and the translation arrangements for such protection. 25 Member States are engaged in enhanced cooperation with an aim of creating unitary patent protection for their territories. A unitary patent would be a European patent granted by the EPO under the EPC to which unitary effect would be given after grant, at the patentee's request. Another key aspect for users refers to the future patent litigation system which also needs to be unified.[217]

Rules for IPR management are a fundamental aspect of EU-funded projects, defining the success of dissemination and utilisation activities. It is therefore vital that these rules take into account the mission and legitimate interests of both public research institutes and participating industrial partners. For the CSF, more clear and streamlined rules for IP and access rights need to be defined, and the necessary measures need to be taken to ensure their implementation. This may be achieved through mandatory Consortium Agreement templates that may depend on the type of project and the phase of the innovation cycle, with which the participants will be acquainted in advance, and

[214] OECD observer N° 279 (05/2010), *The tax system can be a powerful policy instrument for spurring innovation. Here is how*, available at http://www.oecdobserver.org/news/fullstory.php/aid/3271/Taxes_for_innovation.html

[215] More information about IPR is available at http://ec.europa.eu/youreurope/business/competing-through-innovation/protecting-intellectual-property/index_en.htm

[216] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 20

[217] More information on EU patent is available at http://www.epo.org/law-practice/legislative-initiatives/eu-patent.html

which will avoid spending disproportionate amounts of time and efforts for preparing the Consortium Agreements of EU projects.[218] Additionally, the consortium size is suggested to affect the complexity of IP issues. Smaller consortia are easier to coordinate also from IP perspective, while large consortia inevitably create highly complex IP agreements and associated disputes. From IP perspective, it would therefore be desirable to allow consortia to be compact in size.

In terms of knowledge sharing, a publication rule, such as the current FP7 Open-Access Pilot scheme, is reported to be key in order to avoid the results of EU-funded research being hidden within a company or institution. The pilot aims to allow for easy and free access to scientific information, in particular peer-reviewed scientific articles published in journals. Articles covered by the pilot become accessible after an embargo period of 6 or 12 months, depending on the FP7 area.[219] Such measures enable project partners to protect their IP as well as to use the protected knowledge for a certain time, which grants them a competitive advantage without preventing dissemination of knowledge.[220]

6.3. RECOMMENDATIONS

The previous section provided a brief overview of the key challenges regarding the marketisation of ideas and promotion of new products and services. Table 6-1 offers a concise overview of measures proposed to tackle the identified challenges.

Table 6-1: Recommendations for the CSF on supporting the marketisation of ideas and promotion of new products and services

ISSUE	SPECIFIC MEASURES
Covering full innovation cycle	Design the CSF to maximise innovation impacts by covering full innovation cycle from research to market uptake. Specific measures include: • increasing the emphasis on research project output; pro-actively supporting research result dissemination, demonstration, and piloting; • strengthening support for market take-up; • applying a phased approach to innovation funding: splitting funding in phases (e.g., research, proof-of-concept, testing, validation) with a possibility of having different consortia for different stages; • developing detailed exploitation rules with roles, tasks and responsibilities of consortium partners (similar to current IP rules for FP7) Achieving full innovation cycle coverage requires different flexible funding schemes, such as research and innovation grants, training and mobility grants, programme co-funding grants, grants to public procurement of innovation, support grants, debt finance and equity investments, prizes, and procurement.[221] Direct funding should be used in the pre-competitive phase, whereas public pre-commercial procurement of R&D and procurement of innovation are better suited to support and promote market introduction of new solutions and systems.[222]
Taking into account broad nature of innovation	• Ensure the CSF addresses a broader innovation concept that incorporates non-technological innovation and considers business models and marketing strategies, user oriented innovation and services, and life cycle approaches.

[218] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 20
[219] More information on open access is available at http://ec.europa.eu/research/science-society/index.cfm?fuseaction=public.topic&id=1294&lang=1
[220] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 20
[221] EC (2011), *Impact Assessment: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation*: Commission staff working paper, SEC(2011) 1427, p. 24-25
[222] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 4

ISSUE	SPECIFIC MEASURES
	Develop new mechanisms for user involvement and a better definition of the concept of social innovation. • Ensure EU funding is innovative in its use of financial mechanisms to support the development of new and innovative business models. • Support innovation actions in the areas of 'eco-innovation', climate change and environmental protection, which are at the core of the grand societal challenges, at much higher levels, focussing on developing green technologies and ensuring their market impact.[223]
Strengthening industrial participation	Industrial participation in the CSF could be strengthened by:[224] • Making cost accounting and reporting more flexible by introducing only the main elements of the reporting structure and leaving the last choice of model to the companies. The end reporting to the main elements could be verified. • Making reporting requirements less detailed; • Making application and approval process faster so that the project can start at the latest six months after the submission deadline; • Reducing the number of funding instruments and make the main one more effective and targeted; • Enhancing the coordination across different DGs in the Commission involved in the funding schemes; • Building on the trust based approach; • Creating more budget clarity by clearly dedicating available funding annually to the specific thematic priorities; • Creating a general registration number for a specific company so it can be recognised immediately and the process can be faster and transparent.
Supporting public-private partnerships	• Support PPPs as an efficient instrument to increase industrial participation • PPPs should have clearly defined targets and measurable expected impacts. • PPPs should be kept flexible and efficient, while clarifying the roles of both the private and public parties. • Address the role of the public sector in setting priorities within PPPs.[225]
Enhancing the role of European Technology Platforms	• Encourage closer cooperation between ETPs where appropriate such as for societal challenges. • Implement overall simplification and reduction of overhead structure of bodies and meetings. • Stimulate ETPs to fully explore additional possibilities for funding outside the Cooperation-like actions.[226]
Developing open and fast implementation schemes for SMEs	• Re-instate the sub-contractor or associate partner status of SMEs in the CSF, as under FP6. • Facilitate SME participation in the CSF by organising national/ regional information sessions and events in different MS and Associated Countries such as a networking platform for engineering and technical schools, start-ups, SMEs and potential investors and funding agencies. Such events can promote "match-making" between SMEs, technology brokerage companies and research

[223] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 14
[224] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[225] Public Consultation for Horizon 2020: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15
[226] Public Consultation for Horizon 2020: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 15

ISSUE	SPECIFIC MEASURES
	organisations, while CSF National Contact Points may facilitate the search for international partners and consortia. • Reduce time-to-grant for SMEs through open calls and smaller projects with, for instance, just one SME and one university. • Increase availability of capital from existing private investors (VC funds, Corporate VC, BAs) for innovative SMEs in early development stages.[227]
Introducing new approaches to supporting research and innovation	• Develop new ways to evaluate the tendering process in a competitive, fair, open and transparent way, considering performance and life-cycle costs, avoiding focus on initial investments which hinder innovation potential. • Explore the use of prizes to induce specific, measurable results, especially for international cooperation. For example, joint EU-US prizes requiring EU-US teams would be a practical stimulus of cooperating on major societal challenges relevant to EU-US (e.g., low-carbon transport) and developing countries (e.g., low-cost climate-resilient infrastructure). • Develop Public procurement as a strategic innovation driver and a tool for implementing new technologies, with the public sector leading by example. • Boost the supply of innovation by lowering the corporate tax rate for innovation-related profits, e.g., from royalties or the sale of patents.
Advancing Intellectual Property Rights	An advanced Intellectual Property Rights system should:[228] • allow for different IPR strategies in companies and support consortium partners independent of their IPR strategies, whereby collaboration between consortium partners is promoted, by encouraging the use of each other's project results to the extent needed for the use of one's own project result, without requiring further compensation for such use; • allow for flexibility in consortium building and for different partner constellations within project consortia (e.g., combinations of SMEs, large companies, universities and public research), • provide hands-on support to beneficiaries in the negotiation phase of their consortium agreement, e.g., interactive templates or counselling; • set some basic principles regarding access to research results, exploitation of results and knowledge transfer, e.g., by making an implementation plan mandatory, but otherwise leave it to the consortium to decide to which research results public access shall be provided (no blanket obligation to provide public access or to publish, no restriction of IP protection) and how exploitation and knowledge transfer shall take place; • consider not only the benefits of providing open access to publicly funded research, but also the potential drawbacks in terms of compromising Europe's competitive edge or the economic impact of EU research; • support consortia in the fight against international IP violations. In addition, in order to achieve a level playing field with other major regions in the world, the EU patent should be introduced. Today's fragmented patent system in the EU should be replaced by an EU-wide patent system, thereby facilitating a more (cost) efficient and effective protection of Intellectual Property.[229]

[227] Public Consultation for Horizon 2020: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 16
[228] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 19
[229] EC (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper, cross-document analysis of Question 20

7. RQ6: DEVELOPING SUGGESTIONS FOR SIMPLIFYING THE RULES FOR PARTICIPATION IN THE CSF

KEY FINDINGS

- Implementation procedures and control requirements are **too complicated** and can be a real disincentive to participation in EU programmes, especially for SMEs.
- Concrete measures have **already led to a reduction** of time-to-grant and of the administrative effort for managing projects.
- The question of **trust (vs. control)** is one of the main barriers to simplification.
- The most time-consuming project life cycle step for participants is **project management**, followed by application/selection, negotiation and audit in terms of administrative obligations.
- An important success factor of further simplification measures will **be the way their implementation is managed**.

7.1. RATIONALE

The public consultation relating to the Common Strategic Framework conveyed a clear message that implementation procedures and control requirements are too complicated and can act as a real disincentive to participation in EU programmes. The EU has a responsibility to ensure that funds are well spent, but it could also take a series of measures to reduce the administrative burden for recipients of funds, and to cut EU administrative costs – allowing more resources to be directed to their final purpose.[230]

Common EU financial rules are laid out in the Financial Regulation, but implementing rules and procedures may vary considerably from one policy instrument to another. A clear set of common principles should be agreed to reduce differences to the absolute necessary. Linking different instruments together in a common implementation framework is a good way to help the interface of citizens, businesses, especially SMEs and governments with the EU budget.

The recent Commission proposal to revise Financial Regulation contains measures to put in place simplified financial rules. This should be looked into further to allow for lighter procedures for smaller grants (thresholds could be set at a higher level for such small projects), and more use of lump sum payments, as well as performance-based schemes.

The CSF offers clear possibilities for administrative simplification through the development of a more standardised set of rules covering all participants in EU research and innovation programmes.[231] These rules should seek commonalities between the different types of activities whenever possible. This should be build on ongoing progress towards simplification[232], yet consider additional measures such as a wider use of lump sums with a view to reducing the number of different reimbursement

[230] European Commission (2010), *The EU Budget Review*: 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, SEC (2010) 7000, 29 pp.
[231] European Commission (2011), Green paper: *From challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding*, COM (2011) 48, 15 pp.
[232] European Commission (2010), *Communication on simplifying the implementation of the research Framework Programmes*, COM (2010) 187, 15 pp.

rates and methods for calculating indirect costs[233], or the general acceptance of beneficiaries" own accounting practices.[234]

7.2. KEY CHALLENGES

7.2.1. Simplification measures that have already been undertaken

Compared to its predecessors FP7 brought about a number of widely acknowledged simplifications. Some stem from the legal basis of FP7, while others result from the Commission's continuous efforts to improve implementation rules and processes. These achievements namely include:

- Considerable reduction of ex-ante controls and revised protective measures for financially weak participants designed to ease the participation of SMEs and high-tech start-ups. 80%of FP7 participants are exempt from ex-ante financial capacity check.
- Major reduction in the number of certificates on financial statements to be provided with periodic cost claims. 75% of FP7 participants are exempt from providing such certificates.
- Introduction of a unique registration facility, thus avoiding repeated requests for the same information.
- Introduction of the possibility of ex-ante certification of the accounting methodology for recurring participants (currently under restrictive conditions).
- Streamlining of the project reporting requirements.
- Progress towards optimised IT tools ("e-FP7") as a mean for rationalising all interactions.
- Improvements to the services and guidance documents for applicants.[235]

These concrete measures have already led to a reduction of time-to-grant and of the administrative effort for managing projects. However, the feedback received in stakeholder consultations held by Deloitte in their assessment of the effectiveness of Simplification Measures shows that access to the programmes and preparation of proposals are still too difficult, in particular for newcomers, that the administrative burden for project administration and accounting is perceived as too high and that time-to-grant and time-to-pay are still too long. Moreover, the error rates detected in ex-posts audits, in particular for personnel and indirect costs, are still above the materiality threshold defined by the Court of Auditors.

According to this assessment, the most popular measures among participants and stakeholders of the 15 measures introduced since FP7 was launched in 2005, are:[236]

- the introduction of the unique registration facility (URF);
- the reduction in the number of certificates related to financial statements to be provided with periodic claims;
- the reduction in ex-ante controls and revised protective measures for financially weaker participants; and
- the extension of lump sum financing for subsistence and accommodation costs.

However, other measures that were considered as potentially important by stakeholders are not perceived as having been successfully implemented, namely:

[233] EC (2010), *The EU Budget Review*, 29 pp.
[234] European Commission (2010), Proposal for a regulation on the financial rules applicable to the annual budget of the Union, COM (2010) 815, 142 pp.
[235] Deloitte (2011) Assessing the Effectiveness of Simplification Measures under FP7
[236] Deloitte (2011), *Assessing the Effectiveness of Simplification Measures under FP7*: Final report, 144 pp.

- the introduction of the possibility of ex-ante certification of the accounting methodology for recurring participants (very few certifications were delivered);
- a clearer definition of eligible costs, and improvements to the services and guidance documents for applicants (the definition of eligible costs remains unclear, and the many documents available remain difficult for newcomers to understand);
- a simpler cost reporting system (reporting remains complex); and
- a simplified support rate per type of activity (participants may face several support rates depending on the type of funding scheme that applies to them).

The possibilities for further simplification, as presented by the Commission, are structured in three main strands:

- a first strand of short-term, practical improvements to processes and tools that the Commission has already started implementing under the current legal and regulatory framework and that are to lead to a further reduction of time-to-grant and time-to-pay, thus improving its administrative procedures to the benefit of applicants;
- a second strand with changes to existing rules, but remaining under the current cost-based model, allowing for a broader acceptance of usual accounting practices (including average personnel costs), the reduction of the variety of special conditions, a provision for owner-managers of SMEs and a change to the grant selection process. These options, in addition to accelerating the processes to the benefit of applicants, would contribute to a reduction of the error rate in the cost-based approach;
- a third strand of more far-reaching changes paving the way towards a result-based approach that would entail a major shift of the control efforts from the financial to the scientific-technical side. This approach would minimise the administrative burden for accounting and the needs for financial ex-ante and ex-post checking. These changes would have an impact on both the administrative procedures and costs of the Commission as well as reduce the administrative burden on applicants.

Clearing House: The Welsh example

A so-called "Clearing House" is an electronic system to connect national/regional databases in order to obtain interactive portals for data submitted by beneficiaries. This could be one of the main measures to reduce administrative burdens on beneficiaries in cohesion policy. The main benefits to the beneficiaries are: greater access and transparency (22h/day insight in status and data); lower administrative burden (input once, less re-work); greater efficiency (better communication, quicker handling of claims).

For the government authorities the Clearing House concept offers similar benefits, by re-using data thus lowering administrative burden and cost and obtaining improved management information.

The Clearing House concept is already in place in some EU Member States. According to the Commission's Communication of 22/10/2009, the Clearing House concept would contribute to reach the Administrative Burden reduction target with a reduction of -6%.[237]

7.2.2. Roles of the various stakeholders in further simplification

All actors, including applicants and participants, the Commission, European Parliament, Council and Member States, have a role in implementing further simplification of rules and procedures:

[237] http://ec.europa.eu/enterprise/policies/smart-regulation/administrative-burdens/high-level-group/files/eu_funding-wefo_package_en.pdf

- Applicants and participants, especially coordinators, can play the role of interface between researchers and the Commission for the administration of the project;
- The Commission has an important role in tackling the current lack of consistency in management of FP7 (interpretation, communication, performance, etc.), and the lack of timeliness in feedback (time to reply);
- The European Parliament and the Council of Ministers are responsible for the legal environment and in particular the question of control (vs. trust) (see next section) when deciding on a new programme and in particular its funding schemes, but also the revision of the Financial Regulation (and in particular, but not only, the Tolerable Risk of Error);
- The Council and Member States are engaged in a gradual process of convergence of national research systems into a European Research Area in order to avoid having 27 parallel national systems (or 40 if the countries associated with the FP are included).

Improvement to the procedures is continuous, while the development of the successor CSF, and the revision of the Financial Regulation, and the coordination of the research efforts (the Innovative Union and the European Research Area) are dependent on EU and national approval procedures.

Areas in which the key players can play a role in implementing further simplification include:

- Coordinators (applicants and participants): continuous improvements of project management rules and administration (at their organisations), as they gain experience with the CSF, and procedures are put in place in many types of project organisation. They can explain rules and procedures to the consortium while providing an overview of the difficulties participants face and provide feedback to the Commission for consideration in further simplification;
- Commission: continuous improvements and simplification of the current procedures, implementation monitoring (annual Monitoring Reports);
- Parliament and Council: approval of the triennial revision of the Financial Regulation and its Implementing Rules.
- The Parliament and the Council will also approve the CSF (next Framework Programme), a process which began with the Innovation Union Communication in 2010 and the Green Paper in 2011.
- Member States "contribute to simplification, in the realm of their responsibilities, by considering adapting national rules and procedures with a view to facilitating the coordination of national and EU RTD&I funding initiatives".[238] The coordination of the research effort takes the form of the Innovation Union policy, which also pledges for the creation of a unified European Research Area by 2014 to overcome the current fragmentation of the European research systems.

7.2.3. 'Trust' versus 'control as the main barrier

One of the main barriers to a real step-change to simplification is the question of "Trust vs. Control" when funding research projects. The concept is attracting a high level of attention because of the potential simplification opportunities that it may deliver. However, there is as yet no single approach to trust and different potential levels of the concept. The table below provides an overview of the trust-based options and their main sources.

[238] Council conclusions of 26 May on simplification of EU research and innovation programmes (10268/10)

Table 7-1: Various insights into the trust-based approach and their sources[239]

SOURCES	INSIGHTS
COM (2010) 18731 (see also LERU 201032)	"A high-trust "award" approach consisting of distributing pre-defined lump sums per project without further control by the Commission: (…) This scenario would be most appropriate in areas where the ... incentive mechanisms are strongest, i.e. in particular in the European Research Council. The advantages of the approach are obvious: no need for cost checking, minimised administrative effort, high speed. "
Third FP7 monitoring report (2010, see also EUROHORCS)	"Lack of trust" is often cited between the research project and the Commission leading to request more information than perhaps needed.
EP report on simplifying FP7 (2010)	"..the management of European research funding should be more trust-based and risk-tolerant towards participants at all stages of the projects..." EP is "concerned about the possible impact of result-based funding on the quality and nature of research, with possible constraints on scientific research and a negative impact on projects with non-measurable objectives or with an objective measurable using parameters other than that of immediate utility; is equally concerned about the potential outcome in terms of further ex-ante and ex-post evaluation of project output/results and about the pinpointing of the criteria necessary to define them..." "...recommends launching pilot tests of the 'result-based funding' with project-specific lump sums paid against agreed output/results for research and demonstration projects in specifically challenging areas; "...favours instead a 'science-based' funding system, with emphasis on scientific/technical criteria and peer review based on excellence, relevance and impact, with simplified and efficient financial control, respecting the right of all sides to be heard."
FP7 Interim Evaluation (2010)33	"Too high level of detail is required for audit certificates and the upshot is a 'zero-trust' policy" and "much more radical approach is now needed to attain a quantum leap in simplification. In particular, the risk-trust balance needs to be redressed, as the current risk-averse culture inhibits participation and may be undermining the research most likely to result in genuine breakthroughs" and "To increase the participation of industry and SMEs the Commission (…) has to switch from a low-risk, low-trust attitude to a more trust-based and risk-tolerant approach." "More trust should be placed in researchers to amend project work programmes and deliverables instead of sticking rigidly to plans established at the outset. In this regard, the Expert Group notes the groundswell of opinion articulated by the 'Trust Researchers'34 campaign. At the time of writing, 13,684 researchers had signed a petition calling for a significant reduction in bureaucratic demands and for greater trust to be vested in researchers." "To give some examples (of trust): • The ESA35 makes a distinction in risk tolerance between more applied research and basic research. Financing basic research is not current spending, but investment. The higher the risk, the higher the possible return, so that if 2% is the risk threshold, the investment is unlikely to yield very high returns. • For many purposes lump sum payments would be preferable in the interests of efficiency, even though greater financial risks might ensue. • It may be that 'one size does not fit all', for example in the context of indirect cost calculations for universities and SMEs, and that more discretion could be vested in scientific and financial officers in finding suitable compromises."
Green paper (2011) 048	"Simplifying participation by lowering administrative burdens, reducing time to grant and time to payment and achieving a better balance between cost and trust based

[239] Deloitte (2011) Assessing the Effectiveness of Simplification Measures under FP7

SOURCES	INSIGHTS
	approaches. The approach used in the CIP36 could serve as an example."

Simplification is also intimately linked to the accountability parameters that govern EU research policy implementation. The Commission relies on a comprehensive control strategy including a very high number of on-the-spot auditing of projects and recovery of any amounts paid in excess to obtain reasonable assurance that payments are in compliance with the rules. The Commission can achieve such a positive assurance statement from the European Court of Auditors only when the level of errors is below 2%.

The implementation of this control strategy has exacerbated the perceived complexity of EU research grant requirements and may discourage researchers and industry from participating in the community research funding programmes. Until profound simplification of the research funding rules take effect, the implementation of a research-specific tolerable risk of error (TRE) would permit the Commission to review its control strategy. The purpose of this concept is to ensure a proper balance between controls and policy effectiveness. A proper balance will add to a reduction in administrative costs on the side of the Commission as well as a reduction in complexity and administrative burden on the side of the applicants and participants.

National Subsidy Framework: simplification in the Netherlands

The recently implemented National Subsidy framework in the Netherlands applies four principles: proportionality (cost/benefit ratio); a risk-based approach; focus on performance (more than justifying the money spent); harmonisation of basic rules and procedures. The arrangements are based on the amount of payment a beneficiary will receive. In case of payments less than €25 000, a decision is taken directly on application and the beneficiary does not have to account for performance or cost. In case of payments between €25 000 and €125 000, the beneficiary must account for performance only. Only in case of payments over € 125 000, must beneficiaries account for both performance and costs. This reduced control rate and smarter accountability allows for reduced bureaucracy and less administrative burdens. Also, fewer errors are made and the implementation costs are reduced.[240]

7.2.4. A project-cycle approach to simplification

Project management represents the most time-consuming project life-cycle step for participants, followed by application/selection, negotiation and audit in terms of administrative obligations (the time spent on scientific tasks is not included). Project coordinators spend almost as much time writing the application as they do managing the project. Simplification efforts will obviously have most effect if they are targeted on these most time-consuming steps.

It is not surprising that participants with prior experience are at an advantage compared to newcomers, even beyond the "normal" learning curve effect. They have experience in the administrative processes and can therefore spend less time on them. However, if the complexity is not significantly reduced, high-potential research projects from less- or non-experienced researchers or from smaller organisations (such as SMEs) may be "missed". Especially for small organisations and micro-companies applying for funding is too complex, and the risks too high. Also many SMEs are not aware of EU funding opportunities and they do not have access to the correct channels to get involved in consortia.

240 http://ec.europa.eu/dgs/secretariat_general/admin_burden/best_practice_report/report_example_en.htm

7.3. RECOMMENDATIONS

The previous section provided a brief overview of the key challenges regarding the simplification of rules for participation in the CSF.

As a general remark, simplification measures can sometimes create additional frustration rather than reducing irritation, an important success factor of the further simplification measures will be the way their implementation is managed. Another point of attention will be a consistent implementation of the simplification measures across all the research Directorates and services.

Table 7-2 offers a concise overview of measures proposed to tackle the identified challenges.

Table 7-2: Recommendations on simplifying the rules for participation in the CSF

ISSUE	SPECIFIC MEASURES
Existing simplification measures	The CSF should take into consideration the measures that have already been taken to simply the rules for participation in European Funds and seek to achieve improved implementation of measures, which, although deemed important are not perceived as to have been implemented successfully to date: • introduction of ex-ante certification of the accounting methodology for recurring participants (very few certifications were delivered); • clearer definition of eligible costs, and improvements to the services and guidance documents for applicants (the definition of eligible costs remains unclear, and the many documents available remain difficult for newcomers to understand); • a simpler cost reporting system (reporting remains complex); and • a simplified support rate per type of activity (participants may face several support rates depending on the type of funding scheme that applies to them).
Roles of stakeholders	Each stakeholder can play their own role in simplifying the rules and procedures. • Coordinators (applicants and participants) can implement continuous improvements of project management rules and administration within their organisations as they gain experience with the CSF and provide feedback to the Commission for consideration in further simplification; • Parliament and Council should keep in mind simplification requirements when approving the triennial revision of the Financial Regulation and its Implementing Rules as well as the CSF proposals; • Member States should consider adapting national rules and procedures with a view to facilitating the coordination of national and EU RTD&I funding initiatives" and support the creation a unified European Research Area by 2014.
'Trust' versus 'control'	• The level of detail required for audit certificates should be lowered and there should be redress in the risk-trust balance applied by the Commission. • One path could be to launch pilot tests of the 'result-based funding' with project-specific lump sums paid against agreed output/results for research and demonstration projects in specifically challenging areas.
Potential simplification measures	The following simplification areas have been identified in various studies: • Remove differences of approach between Commission DGs and Directorates involved (e.g. interpretation of rules, communication, training of Commission staff, etc...). A dedicated change management strategy in this respect and a coherent and holistic Business Process Management approach should be put in

ISSUE	SPECIFIC MEASURES
	place to assure future consistency in approach between Directorates; • Simplify the „rules for participation" by rationalising and reducing the number of funding schemes and cost models, remove the obligation to open a specific bank account for the project and implement the additional simplification measures listed by the Council on 12 October 2010; • Assess the feasibility of different options proposed for a "trust-based approach" to achieve a better balance between science and administration; • Offer the option of a direct contractual relationship only with the major partners in the consortium (instead of collaborative agreements). Small organisations and/or newcomers would be attracted by lighter administrative procedures, whereby they would have the status of subcontractors in a project and avoid more complex contractual procedures. The financial threshold above which audits become mandatory (€ 375 000) could be an appropriate level of grant income below which participants could be subcontractors; • Align the administrative processes with typical internal business processes of the beneficiaries. Ideally the Commissions internal business processes should be reengineered in such a manner that they establish a „natural" link with the day-to-day business of participants, thus avoiding double work, irritation and additional administrative burden; • Publish "deadline-free" calls (calls that are continuously open and regularly assessed by an evaluation committee) in order to allow more flexibility for researchers; • Ensure the right balance between simplification and stability of the rules. If further simplification measures are selected, they should be tested against their stability over the next funding programmes. Ever-changing rules are often a cause of additional administrative burden and irritation rather than a lever for removing the negative effects of red tape; • Ensure audit traceability throughout the project life cycle, so that certain project decisions can be explained and errors can be avoided in the future. Much discussion and confusion about project decisions could be avoided if any change or decision is well-documented throughout the project; • Ensure flexibility in the implementation of rules, taking into account country-specific financial rules; • Use communication as a powerful simplification tool. The CSF should be supported by a user-friendly research participants" portal incorporating clear guidelines. In addition, all communication (e-mails, letters, phone calls, RTD magazines and publications, etc.) should be consistent and the terminology used should be harmonised.

8. SYNTHESIS OF STUDY RESULTS

This synthesis chapter addresses the challenges and recommendations identified from the perspective of specific stakeholder groups, namely EU, national and regional policymakers, academics, large firms and SMEs and financial institutions.

8.1. EU POLICYMAKERS

EU RDI funds alone can no longer be considered sufficient to achieve the ambitious goals set for the 2014-2020 period. Therefore, while funding levels will likely be increased during the coming period, efforts should also be directed at maximising the societal impact of these funds. The following paragraphs describe the challenges to be overcome in achieving this goal.

8.1.1. Covering the innovation cycle in stages

An important aspect of supporting innovation is realising that although it is desirable to provide funding instruments throughout the entire innovation cycle (i.e. from fundamental research through to market introduction of new products and services), it is not possible to support all stages of the life cycle with one instrument. Hence, a stage-based approach is called for, that allows for different consortia applying for each stage (e.g. broad scientific consortia for the research stage and smaller business-driven consortia towards market introduction), while safeguarding the integrity of the innovation cycle as a whole.

Harmonisation of the European rules on both IP and venture capital would also contribute to achieving the final stage of market introduction in more EU-funded innovation processes.

8.1.2. Simplification for beneficiaries

Our findings show that while some improvements have been achieved in FP7, many more are possible. Both FP7 and CIP could be simplified and streamlined more during the coming period, thus increasing transparency and reducing the administrative burden on their beneficiaries. Our findings from existing documentation show that under FP7 access to programmes, preparation of proposals, project administration and accounting still create a large burden for the beneficiaries of RDI funding. Particular desires of beneficiaries are to reduce the number of audits of project finances, thus converting to a "trust-based approach", as well as reducing the number of funding schemes and cost models and publishing "deadline-free calls", allowing applicants to submit proposals throughout the year. Tasking one European agency with the implementation of all innovation instruments would also help beneficiaries find their way, as well as maximising synergies between instruments and creating more demand-driven innovation instruments.

8.1.3. Critically assessing effectiveness

While the sense of urgency in the field of economic growth and innovation has clearly risen during the past years and has resulted in a number of promising policy initiatives, both new and existing initiatives also require continuous assessment of their effectiveness. Our findings show that in particular the existing governance structures of ITER, CIP and EIT require improvement to increase both effectiveness and efficiency. Also, new initiatives such as the JPIs and the measures taken to increase innovation-friendly public procurement should be assessed on their (ex ante and interim) merits before being continued unchanged in the new programming period. Public procurement initiatives directed at increasing innovation require particular attention, as these initiatives currently are not based on shared definitions or approaches.

Another aspect of monitoring and evaluation is the use of the European Semester, which offers significant opportunities to safeguard Member States' contributions to the Innovation Union. In the first European Semester of 2011, very limited use has been made of these opportunities. Hence, as more efforts to support innovation are required from Member States with the new initiatives mentioned above, a more thorough approach to the European Semester is warranted in the coming years.

8.1.4. Synergy between European funds

European RDI funds and other funds such as Cohesion Policy and Structural Funds currently operate based on a different logic: while RDI funds are aimed at funding excellence, Cohesion Policy and Structural Funds have been developed to even performance across Member States. Synergy can be found through Smart Specialisation, whereby each Member State and region develops its own regional specialisation strategy and thus pursues excellence in a specific field. This would allow Cohesion Policy and Structural Funds to be focussed on supporting regional research infrastructures, while RDI funding is continued to be awarded to the state of the art in research and innovation. Aligning EU funds in this manner also addresses the challenge identified in FP7, of which stakeholders have indicated that more attention should be given to research (e-)infrastructures. Ergo, where Cohesion Policy and Structural Funds can play a more horizontal role by creating the proper conditions for regional specialisation, RDI funds will have room to keep promoting excellence in European research and innovation. An important and desired effect of Smart Specialisation is that duplication is avoided as much as possible at the European level.

Another possibility for synergy is blending Structural Fund resources with lending from the EIB in order to arrive at new forms of public private risk-sharing to meet regional RDI needs. Such a public-private partnership should be based on a different risk-sharing concept given the grant nature of the Structural Funds.

8.1.5. Synergy with Member States' RDI funds

In addition to improving the workings of the current EU RDI programmes, synergy with existing Member States' RDI budgets as well as new vehicles (Joint Programming, Innovative Procurement) is key. An important success factor for creating such synergy will be agenda-setting at the European, national and regional levels. Strategic Research Agendas are crucial in aligning efforts between these three levels, as is shown by successful efforts in FP7 Aviation and other sector-specific instruments. Focussing funds, as well as avoiding duplication is also part of the logic behind Smart Specialisation.

In the past, the European Technology Platforms have contributed significantly to policy development, SRAs and the building of research-industry communities. Therefore they are well positioned to continue playing a key role in developing SRAs that can guide European, national and regional initiatives and funding.

8.2. NATIONAL AND REGIONAL POLICYMAKERS

A positive review of an application for EU funding (for example by the ERC) should carry significant weight in an application for funding at the national level, even if no EU funding was awarded due to lack of budget. Member States' RDI funding authorities should refrain from re-evaluating such applications whenever possible, provided that they are aligned with national SRAs.

When participating in JPIs, Member States should commit themselves to having removed any obstructions (such as legal limitations and diverging administrative procedures, as well as any uncertainties with regard to the associated funding) to supporting the Joint Programmes before they

start. Member States "contribute to simplification, in the realm of their responsibilities, by considering adapting national rules and procedures with a view to facilitating the coordination of national and EU RTD&I funding initiatives".[241]

Member States and their regions face a challenge in preparing for Smart Specialisation, because it involves making difficult choices to support innovation initiatives in some areas, while not supporting others. JRC IPTS provides support for this, but the responsibility clearly remains with Member State and regional governments.

In addition to the efforts of the EU, the Member States are responsible for excellence in education, as all research starts with highly educated researchers. Stakeholders are unanimous in their opinion that this is and should remain the responsibility of Member States.

8.3. ACADEMICS

Academics face a growing pressure to conduct "research that matters to society", while funds for fundamental research are dwindling. On the other hand, they also benefit from EU funding as it furthers research infrastructures, facilities and networks as well as increases soft skills for the researchers involved. Projects that receive EU funding are generally more visible to society than those that do not.

When working in EU-funded projects, researchers face the following key difficulties, which support our recommendations in section 8.2. above:

- administrative burdens and bureaucracy which distract researchers from performing the actual research, thus reducing effectiveness and efficiency of EU funding;
- the typical duration of 3-4 years of an FP project, which for most technologies is not enough to go through all stages of the innovation cycle (up to 20 years);
- if existing research infrastructures and network are limited, as is the case in a number of new Member States, achieving the excellence required by FP7 is sheer impossible;
- the dominance of industry in the control of intellectual property rights coming from JTIs, which deters non-industrial parties.

8.4. LARGE FIRMS

While FP7 has achieved an increase in industry participation in RDI investments and projects, it is still far from optimal. Stronger knowledge transfer mechanisms and European Innovation partnerships are called for by the Commission to bridge the gap with demand-side measures.

We add to this the first two comments that also apply to researchers, as well as three others:

- administrative burdens and bureaucracy which distract researchers from performing the actual research, thus reducing effectiveness and efficiency of EU funding;
- the typical duration of 3-4 years of an FP project, which for most technologies is not enough to go through all stages of the innovation cycle (up to 20 years);
- inadequate emphasis on projects of industrial relevance;
- a high perceived risk that project proposals will not be selected for funding due to high competition; as a result, associated investments in the proposal are considered to be not justified, especially if the industrial partner is coordinating the consortium (industrial

[241] Council conclusions of 26 May on simplification of EU research and innovation programmes (10268/10)

participation in EU RDI programmes depends strongly on the selection of themes on the one hand and on the ratio of costs and benefits of participation on the other);
- issues with Intellectual Property rights, in particular, in projects involving competing companies.

8.5. SMES

A downside of EU funding has been that it is more difficult to attract SMEs as applicants than for national programmes. The main reason for this is that SMEs generally have less capacity (in terms of human resources, short-term working capital and/or organisational capabilities) for EU cooperation on innovation projects than large firms and thus have to invest in building such capacity to participate in EU collaboration projects. SMEs also have less capacity than large firms in dealing with the complexity of funding instruments, administrative requirements and finding consortium partners (as shown by the interim evaluation of FP7). Hence, in order to attract more SMEs, EU funding schemes should be more visible to their beneficiaries and transparent with regard to procedures and contact persons, as well as harmonised with respect to their administrative requirements.

Lack of funds is already causing many individual proposals adjudged to be excellent to be discarded. Coupled with the substantial effort needed to prepare a proposal, current low success rates in obtaining funding can act as a powerful deterrent to applying, especially for SMEs.

Because of the above-mentioned reasons, SMEs thus far prefer to take up the more focused role of a sub-contractor, which better suits their very limited resources for research. In case SMEs are involved as direct partners, an adjustment in proportions to match financial contributions would be recommended, i.e., a significantly lower percentage would need to be matched by SMEs when compared with large companies.

As shown by the impact assessment of SMEs in FP5 and FP6 SMEs tend to perceive the FP as a means to explore promising applications, to improve their R&D knowledge or to network, rather than as a means of improving their business results. This is due to the fact that it remains too difficult to exploit research results as they are too pre-competitive to be commercially practicable. Covering the full innovation cycle in Horizon 2020 and/or other RDI funding programmes would address this problem, provided the benefits of these improvements are clearly communicated to European SMEs.

The CIP on the other hand contributed to increased innovation by SMEs thanks to its strong business and market orientation. Support to SMEs could be increased, through 1) access to finance; 2) promoting innovation and commercialisation and 3) strengthening the connection with EU regional innovation policies. These suggestions relate to recommendations provided above, particularly those on harmonising IP and venture capital regulation and Smart Specialisation.

SMEs often have limited access to growth capital or finance, be it in the form of equity (either private or through the stock markets) or debt instruments. Therefore, they face a "growth capital gap" and are often forced to postpone or forego new opportunities for growth and innovation. This is an area in which continuation and expansion of the RSFF, harmonisation of European venture capital regulations and other financing support can support innovation.

8.6. FINANCIAL INSTITUTIONS AND RELATED INSTRUMENTS

The Risk-Sharing Financial Facility (RSFF), and the CIP-connected horizontal instruments (the High Growth and Innovative SME Finance Facility – GIF, and the SME Guarantee Facility -SMEG) are reported to demonstrate clear benefits. They offer solutions in cases where market failures occur with respect to the financing needs of some SME categories like small firms in the first expansion phase,

and high growth SMEs in further expansion stages. It is considered that the scope of the RSFF could be broadened to also cover the grand challenges of Europe, in areas such as key enabling technologies, climate change, energy saving, demography (ageing), but also social cohesion. Indeed, the EC's risk capital-contribution to RSFF in the form of a provision for expected and unexpected loss is a unique feature that helps to mobilise a larger contribution by EIB and private sector financing sources.

This would require more debt sources to finance the broader instrument, which presents a significant challenge given the current state of financial markets. New mechanisms will have to be developed to stretch available resources even further in these difficult public funding times, namely by evolving towards a revolving fund system. Reflows (such as income from loans that are already being repaid) and unused budgets from predecessor programmes should be reinvested into the new programmes to ensure a higher leverage effect from the EU budget, while ensuring adequate financial controls and reporting.

The EC and the EIB should also take the necessary steps to enhance collaboration with third party financial institutions, both as investors and as lenders, to further extend the availability of risk based financing.

Financial instruments must be designed to be as flexible as possible, so as to ensure sufficient reactivity to evolving market needs. In particular, budgetary processes should be simplified and designed to reflect a reasonable balance between EC specific requirements in terms of financial control and reporting obligations, and market conditions. This will also reinforce the EC's ability to partner up with private partners.

The EIF pilot business angel co-investment programme in Germany aims to provide co-investment with approved individual angel investors (and other non-institutional investors, e.g. family offices) to SMEs (incl. start-ups/early stage). If it is evaluated positively, this may provide a useful example for other facilities at Member State and/or EU level.

An important challenge is to bring the extremely fragmented European VC ecosystem to critical mass and coherence, enhance professionalism, establish and develop European market standards and support cross-border and pan-European cooperation between national and regional actors. Given that innovation usually applies to at least European if not global markets, a too narrow focus of investors and their inability to benchmark and access a wider network and markets can considerably hamper the development of the financed innovative SMEs.

The banking regulatory environment should be closely monitored to ensure it does not overly constrain the willingness of private banks to provide finance to SMEs. The balance between securing the availability of financing and guaranteeing a sustainable financial sector will continue to be a delicate one in the years to come.

8.7 CLUSTER INITIATIVES

Current cluster strategies often suffer from a lack of international and trans-regional perspective, and stay focused on the boundaries of their own region242. Additionally, a sound analysis of cluster's assets is often lacking, as well as practical insights from industry. Such approach hampers the realisation of the cluster potential and jeopardises the cluster's ability to attract public and private funds in the future. To deal with the abovementioned challenges, Horizon 2020 adopts the notion of smart specialisation.

Smart specialisation strategy aims to help clusters and regions to identify their best assets in order to be able to concentrate their efforts and resources on a limited number of priorities where they can develop excellence[243]. Building on smart specialisation, successful cluster strategies should244:

- focus on a cluster's capabilities, competences, competitive advantages and potential for excellence within European and global value chains;
- identify innovation and knowledge-based development priorities, challenges and needs;
- outline measures to stimulate private investment;
- foster comprehensive stakeholder involvement;
- be evidence-based and include sound monitoring and evaluation systems.

Smart specialisation strategy implies developing structures that allow for active engagement of cluster stakeholders. Such engagement can be achieved if:

- cluster organisations carry out stakeholder consultation to gather input for the vision, strategy and action plan of the cluster;
- the activities of cluster organisations are derived from the key stakeholder issues and are of proactive rather than reactive nature;
- the stakeholders are offered a platform to ask questions and provide their opinion.

Member States, regions and clusters are expected to select a limited number of priority areas which will reflect the essence of their strategy. The new regulatory framework will establish the list of thematic priorities for the policy. Member States, regions and clusters will be provided with some flexibility to select their priorities taking into account the specific challenges they face[245]. Consequently, cluster success is not determined by the specific technology(-ies) it decides to focus on, but on whether this decision reflects the true scientific and technological excellence of the cluster and whether it is in line with the EU, Member State and regional policy.

[242] The Global Cluster Initiative Survey (GCIS): http://www.cluster-research.org/gcis.htm
[243] http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/smart_growth/comm2010_553_en.pdf
[244] DG Regional Policy (2011), Fact Sheet: Regional Innovation Strategies for Smart Specialisation
[245] http://www.neth-er.eu/nl/nieuws/smart-specialisation-helps-regions-identify-their-best-assets-according-johannes-hahn

9. ANNEX 1 LIST OF INTERVIEWEES

Philippe Amouyel	Professor of Public Health, Chariman of the Managing Board of the EU's Joint Programming Initiative on Neurogenerative diseases
Michael Blakeney	Professor of Intellectual Property Law and Director of the Intellectual Property Research Institute, Queen Mary University of London
Birthe Bruhn-Léon	Head of the Mandate Management Division, European Investment Fund
Koenraad Debackere	Director of Leuven R&D, Professor of Management, Chief Administrator of University of Leuven
Olivier Debande	Senior Economist, European Investment Bank
Charles Edquist	Researcher at Centre for Innovation Research and Competence in the Learning Economy (CIRCLE), Lund University (Sweden)
John Edwards	Researcher at the Commission's Institute for Prospective Technological Studies in Seville (Spain) and part of the Smart Specialisation platform of the Commission
Pat Frain	Director of NovaUCD, the Innovation and Technology Transfer Centre, University College Dublin, 2011 Chair of ProTon Europe
Patrick Gibbels	Brussels Representative at the European Small Business Alliance (ESBA)
Manfred Horvat	Rapporteur of the Synergies Expert Group Study on FP7, CIP & Cohesion Policy Funds and Former Director of the Austrian Research Promotion Agency (FFG), Division for European and International Programmes (EIP)
Gerhard Huemer	Director of Economic and Fiscal Policy, European Association of Craft, Small and Medium-sized Enterprises (UEAPME)
Helmut Krämer-Eis	Head Research & Market Analysis, European Investment Fund
Frank Lang	Research and market analyst, European Investment Fund
Jean-David Malo	Head of Unit C-03 Financial Engineering, DG ECFIN, European Commission
Justin Iantosca	Mandate Management Division, European Investment Fund

10. ANNEX 2 REFERENCES

- Academia Europaea (2011), *European Commission Green Paper From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation Funding* – A response from Academia Europaea, 9 pp.
- Aerospace and Defence Industries Association of Europe (2011), *ASD response for the aeronautics sector tot the green paper consultation on a common strategic framework for future EU research and innovation funding*, 18 pp.
- Advisory Committee for Aeronautics Research in Europe (2011), *Response of the ACARE Member States Group on the questionnaire for the Green Paper on a common strategic framework for EU research and innovation funding*, 16 pp.
- AGE Platform Europe (2011), *Green paper on EU research and innovation funding – AGE platforms Europe contribution*, 5 pp.
- Brand, C. (02/12/2011), *EU reaches deal on ITER funding*, EuropeanVoice.com consulted at http://www.europeanvoice.com/article/2011/december/eu-reaches-deal-on-iter-funding/72837.aspx
- Business Europe (2011), *Taking EU support for Research and Innovation into a new era - Towards a common strategic framework*, Position paper, 28 pp.
- Centre for European Policy Studies (2011), *Towards a Common Strategic Framework for EU Research and Innovation Strategy*: Opinion on the Green Paper, 17 pp.
- CEPS (2010) *A New Approach To Innovation Policy In The European Union*: Task Force Report, 96 pp.
- Community of European Shipyards' Associations (2011), *Online questionnaire for the Green Paper on a common strategic framework for EU research and innovation funding*, 25 pp.
- CSES (2011), *Final evaluation of the Competitiveness and Innovation Framework programme*, European Commission, 101 pp.
- CSES & EIM (2011), *Final Evaluation of the Entrepreneurship and Innovation Programme*, 168 pp.
- Council of the European Union (2011), *Conclusions on the evaluation of the Seventh Framework Programme for Research (FP7), including the risk-sharing finance facility*, 6 pp.
- Council of the European Union (2010), *Conclusions of 26 May on simplification of EU research and innovation programmes* (10268/10)
- Deloitte (2011), *Assessing the Effectiveness of Simplification Measures under FP7*: Final report, 144 pp.
- Derruine and Tiedemann (2011). *The first European Semester and its contribution to the EU2020 Strategy*, The Greens/EFA, pp 42-43
- EBAN (2011), *Contribution to the green paper consultation*: Common strategic framework for future EU research and innovation funding, 1p.
- Enterprise Europe Network, (2011), *Conclusions drawn as a result of discussions on the Green Paper*, FP7 Expert Group, 10 pp.
- EORIforum (2011), *Response of EIROforum to the EC Green Paper "From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding"*, 15 pp.
- Eurochambers (2011), *Future of the CIP – Eurochambers contribution to the Commissions strategic reflexion*, 7 pp.

- Eurochambers (2011), *Response to the Commission Consultation on the GREEN PAPER From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding*, Position paper, 14 pp.
- European Association of Mutual Guarantee Societies (2011), *CIP successor programme – guarantee facilities*, 6 pp.
- European Association of Public Banks (2011), *Position Paper on the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP) and on financial instruments under future EU programmes in the field of Competitiveness and Innovation*, 4 pp.
- European Commission (2011), *A Budget for Europe 2020*: the current system of funding, the challenges ahead, the results of stakeholders consultation and different options on the main horizontal and sectoral issues: Commission Staff Working Paper, SEC(2011) 868 final, 215 pp.
- European Commission (2011), Communication from the Commission *on A framework for the next generation of innovative financial instruments - the EU equity and debt platform*, COM (2011) 662 final, 20 pp.
- European Commission (2011), Communication from the Commission on *Horizon 2020 - The Framework Programme for Research and Innovation*, SEC (2011) 1427, 14 pp.
- European Commission (2011), Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the regions, *Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012*, 10 pp.
- European Commission (2011), *Communication on the application of Regulation 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights*, 16 pp.
- European Commission (2011), *Expert group on synergies between FP7, the CIP and the Cohesion Policy Funds: Synergies Expert Group (SEG)*: Final Report of the expert group, 100 pp.
- European Commission (2011), *External evaluation of the European Institute of Innovation and Technology*, Final Report, 186 pp.
- European Commission (2011), *Green paper on a common strategic framework for EU research and innovation*: Analysis of public consultation, 24 pp.
- European Commission (2011), *Impact Assessment*: Accompanying the Communication from the Commission 'Horizon 2020 - The Framework Programme for Research and Innovation: Commission staff working paper, SEC(2011) 1427, p.4
- European Commission (18/10/2011), *Joint programming*, consulted at http://ec.europa.eu/research/era/areas/programming/joint_programming_en.htm
- European Commission (30/11/2011), *Public Consultation for Horizon 2020* at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=public-consultation
- European Commission (30/11/2011), *Public Consultation for Horizon 2020*: Written contributions from European organisations received in response to the Green Paper at http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=responses
- European Commission (2011), *Public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP)*: Final report, 15 pp.
- European Commission (2011), *Public consultation on the future EU support to competitiveness and innovation*: Final Report

- European Commission (2011), Press release (IP/11/1505, 05/12/2011), *European Commission, EIB and EIF launch new scheme to help SMEs get loans for research and innovation*, consulted at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1505
- European Commission (2011), *Proposal for a regulation of the European Parliament and of the Council on European Venture Capital Funds*, SEC (2011) 1515, 28 pp.
- European Commission (2011), *Report on the public consultation on the European Institute of Innovation and Technology*: Public Consultation Report, 29 pp.
- European Commission (2011), Research EU Focus, *Risk-Sharing Finance Facility (RSFF) – Investing in European research and innovation*, N°10, 32 pp.
- European Commission (2011), *Response to the Report of the Expert Group on the Interim Evaluation of the Seventh Framework Programme for Research, Technological Development and Demonstration Activities and to the Report of the Expert Group on the Interim Evaluation of the Risk- Sharing Finance Facility*: Communication from the Commission, 10 pp.
- European Commission (2011), *Which financial instruments to ensure a better access to finance for RDI in the EU?* , DG Research and Innovation, 33 pp.
- European Commission (2010), Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Europe 2020 Flagship Initiative Innovation Union*, SEC (2010) 1161, 46 pp.
- European Commission (2010), *Interim Evaluation of the Seventh Framework programme*: Report of the Expert Group, 91 pp.
- European Commission (2010), *The EU Budget Review*: 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, SEC (2010) 7000, 29 pp.
- European Commission (2010), *Regional Policy contributing to smart growth in Europe* 2020: Communication of the Commission: SEC (2010) 1183, 15 pp.
- European Commission (2010), *Interim Evaluation of the indirect actions of the FP7 of the European Atomic Energy Community (Euratom) for nuclear research and training activities (2007 to 2011)*, 76 pp.
- European Commission (2010), *Communication on simplifying the implementation of the research Framework Programmes*, COM (2010) 187, 15 pp.
- European Commission (2010), *Proposal for a regulation on the financial rules applicable to the annual budget of the Union*, COM (2010) 815, 142 pp.
- European Commission (2010), *Interim evaluation of the Seventh Euratom framework programme (2007-2011)*: Direct actions of the Joint Research Centre, Expert Group report, 52 pp.
- European Commission (2010), *Mid-Term Evaluation of the Risk-Sharing Finance Facility* (RSFF): Final Draft of the Group of Independent Experts, pp. 6-12.
- European Commission (2008), *Towards joint programming in research: Working together to tackle common challenges more effectively*: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SEC (2008) 2281, Page 10.
- European Commission and the European Central Bank (2011), *The Survey on the Access to Finance of Small and Medium-sized Enterprises (SAFE)*, available at http://ec.europa.eu/enterprise/policies/finance/files/2011_safe_analytical_report_en.pdf

- European Economic and Social Committee *Report on the Green Paper: From challenges to opportunities: towards a common strategic framework for EU research and innovation funding*, CESE 1163/2011 - INT/571
- European Experts Panel on SMEs (2011), *Measures to foster SMEs' participation in R&D&I activities and synergies' promotion in support of innovation and SMEs*, 90 pp.
- European Federation of National Academies of Sciences and Humanities (2011), *ALLEA Position Paper on the EC Green Paper "Common Strategic Framework for EU Research and Innovation Funding"*, 37 pp.
- Europe Innova (2008), *Sectoral Innovation Watch in Europe*: Eco-innovation: Final report, p. 2
- European Investment Bank (2011), *Supporting the knowledge economy*: EIB finance for education, research and innovation, 8 pp.
- European Investment Bank (2009), *The role of venture capital in alleviating financial constraints of innovative firms*, EIB Papers, Volume 14, N°2: R&D and the financing of innovation in Europe, 24 pp.
- European Investment Fund (2011), *EIF response to the GREEN PAPER* – From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation Funding, 15 pp.
- European Investment Fund (2011), *The Performance and Prospects of European Venture Capital*, Roger Kelly, 24 pp.
- European Investment Fund (2011), *Business Angels in Germany EIF's initiative to support the non-institutional financing market*, Helmut Kraemer-Eis, Markus Schillo, 25 pp.
- European Parliament *Report on the Green Paper: From challenges to opportunities: towards a common strategic framework for EU research and innovation funding*, (2011/2107(INI), available at : http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2011-0302&language=EN
- European Parliament (2011), *Factual Background Note on Research and Innovation Policy* for the meeting of the special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013, 18 pp.
- European Parliament, DG IPOL (2011), *The implications of EIB and EBRD co-financing for the EU budget*, 128 pp.
- European Research Area Board (2011), *Answers to Green Paper Questions*, 9 pp.
- European Technology Platform (2011), *'Plants for the future' - Views and recommendations for future EU research and innovation funding programmes*, 16 pp.
- ERAC Opinion on the *"Common Strategic Framework" for Research*, ERAC 1210/11
- Finanzgruppe - Deutscher Sparkassen- und Giroverband (2011), *Contribution by Deutscher Sparkassen- und Giroverband (DSGV) to the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP)*, 6 pp.
- Foray, D. David, P. A. & Hall, B. (2009) The Knowledge Economists Policy Brief n° 9 of June 2009 on *Smart Specilisation*, 5 pp.
- Forum of European National Highway Research Laboratories (2011), *Response to the Consultation on the Common Strategic Framework (CSF) for EU Research and Innovation: The Strategic European Road Research Programme*, 36 pp.

- GHK & Technopolis (2010), *Interim evaluation of the Competitiveness and Innovation programme (2007-2013)*, 114 pp.
- KFW Bankgruppe (2011), *Statement of KFW on the public consultation on a possible successor to the CIP*, 2 pp.
- Network of European Financial Institutions (2011), *Statement of the Network of European Financial Institutions for Small and Medium Sized Enterprises (NEFI) on the Public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP)*, 2 pp.
- NESTA and The Young Foundation (2010), Murray R., Caulier-Grice J., and Mulgan G., *Open Book of Social Innovation*, 224 pp.Regards-Citoyens (14/02/2011), Cardot P., *Financial Instruments in the next Multiannual Financial Framework* : principles, policy areas and volume / From co-financing to co-investment available at http://www.regards-citoyens.com/article-financial-instruments-in-the-next-multiannual-financial-framework-principles-policy-areas-and-volume-from-co-financing-to-co-investment-67120387.html
- OECD observer N° 279 (05/2010), *The tax system can be a powerful policy instrument for spurring innovation: Here is how*, available at http://www.oecdobserver.org/news/fullstory.php/aid/3271/Taxes_for_innovation.html
- OECD (2005), *Oslo Manual 3th edition*: Guidelines for collecting and interpreting innovation data, 164 pp.
- OMC-PTP (2009), Veys C. et al, EU project Procurement of Innovation: *Exploring Public Procurement of Innovation as a Strategic Innovation Policy Mix Instrument*, 82 pp.
- Pro Inno Europe (2011), *Consultation of the European Commission's "Green Paper" Towards a Common Strategic Framework for EU research and innovation funding - Integrating Cluster Policies within the Common Strategic Framework, TACTICS proposal,* 2pp.
- Social Innovation Europe (19/06/2011), Intesa Sanpaolo, *Accruing Interest: Innovative Funding that Perseveres*, available at http://www.socialinnovationeurope.eu/node/1853
- UEAPME (2011), *UEAPME's reply to the green paper consultation on a "Common Strategic Framework for EU Research and Innovation funding"*, Position paper, 5 pp.
- United Kingdom, Department for Business Innovation and Skills (2011), *A possible successor to the Competitiveness and Innovation Programme 2007-13*, 8 pp.
- UNU-MERIT (2010), Soete L., *The costs of a non-innovative Europe: the challenges ahead*, 13 pp.

EUROPEAN PARLIAMENT

CATALOGUE BA-31-12-703-EN-C

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D
BUDGETARY AFFAIRS

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

Policy Areas

- Budgets
- Budgetary Control

Documents

Visit the European Parliament website: **http://www.europarl.europa.eu/studies**

PHOTO CREDIT: iStock International Inc.; Shutterstock



ISBN 978-92-823-3752-3
doi:10.2861/85012

Publications Office