



**COUNCIL OF EUROPEAN MUNICIPALITIES AND REGIONS
CONSEIL DES COMMUNES ET REGIONS D'EUROPE**

Registered in the Register of Interest Representatives

Registration number :

81142561702-61

CEMR

Response to the Consultation on the EU Budget Review

Communication (COM (2010) 700 final)

Brussels, December 2010

Key messages

1. Prominent Involvement of Local and Regional Authorities in the Budget Debate

Local and regional authorities are strongly affected by the economic and financial decisions taken at national and European level. Therefore it is crucial that their views are taken into consideration in the further debate.

2. Mandatory partnership including the local level

CEMR welcomes the Commission's proposal for a partnership approach and in particular partnership contracts in the future cohesion policy. The partnership principle should be mandatory and include the local level: Partnership between the European, national, regional and local level is required in order to design, decide and implement policies.

3. Quality, development and sustainability as EU priorities

We question the statement that "growth, competitiveness and the Single Market should be the EU's overarching priorities". CEMR believes that one of the reasons for the recent economic and financial crisis was the concentration on profit, growth, productivity and quantity. We suggest to reconsider these priorities and to replace growth with development and quantity with quality.

4. A budget for sustainability and sustainability of the budget

The sustainability concept should not only apply to the policy content, but also to the budget itself: a budget for sustainability and sustainability of the budget.

5. Cohesion is an EU objective and a policy in its own right

The Europe 2020 Strategy covers only some goals of the European Union. Territorial, economic and social cohesion for example, is an objective of the EU and enshrined in the Treaty. Therefore cohesion policy and the Structural Funds cannot just become instruments to implement the Europe 2020 Strategy.

6. No macroeconomic conditionality

The Commission raises the question of macroeconomic conditionality, proposing that "the receipt of EU funds could be used to reinforce both preventative and corrective measures to support the Stability and Growth Pact." CEMR is strongly opposed to such an approach.

7. A strong Common Strategic Framework

A Common Strategic Framework (CSF), as proposed in the Communication, would be a very important step to increase effectiveness and efficiency of EU-funded programmes. The new CSF should effectively become a general regulation including concrete implementing provisions (like eligible costs, financial issues, audit).

General comments

1. CEMR welcomes the Communication, which presents first ideas on the future financial framework, and the consultation on the Commission's proposals.
2. We agree in particular with the approach to first look into the thematic and policy priorities before preparing the financial perspectives.
3. CEMR agrees with the Commission that the EU budget is a key instrument for shaping and delivering EU policies for citizens and economic and societal actors. This highlights the importance to first concentrate the debate on political objectives.
4. The CEMR as the European umbrella organisation representing local and regional government from 39 countries wishes to express our view on some issues that are particularly relevant for the local and regional level.
5. We want to emphasise that local and regional government play an important role in providing the political and economic framework for the life of our citizens and the activities of the businesses. Local and regional authorities are strongly affected by the economic and financial decisions taken at national and European level; therefore it is crucial that their views are taken into consideration in the further debate.
6. CEMR recognises that the various EU programmes constitute different ways to consider EU citizenship. Local and regional authorities are the institutional levels closest to citizens, and it is important to recall that such programmes are of great support in bringing the European Union closer to citizens. The budget review proposes that different programmes aimed at cultural cooperation, citizens' interaction and the involvement of young people might be integrated into a single programme fully managed through an inclusive approach. We do hope that this will not have any negative impact on the content and budget of the present programme "Europe for Citizens" which includes town twinning.
7. CEMR supports the concept of sustainable development and we believe that it should be the guiding principle of Europe's political actions and decisions. As expressed in our response to the consultation on the future EU2020 Strategy¹, we encourage the European Commission to present bold policy responses and a new approach to meet today's and tomorrow's challenges.
8. The sustainability concept should not only apply to the policy content, but also to the budget itself: a budget for sustainability and sustainability of the budget.
9. However, we question the statement in the Communication that growth, competitiveness and the Single Market should be the EU's overarching priorities. We believe that one of the reasons for the recent economic and financial crisis was the concentration on profit, growth, productivity and quantity. We suggest to reconsider these priorities and to replace growth with development and quantity with quality.

¹ See CEMR's response to the European Commission's consultation on the future "EU 2020" strategy http://www.ccre.org/prises_de_positions_detail_en.htm?ID=99

10. We welcome that the Commission has drawn lessons from the Lisbon Strategy and proposes partnership contracts to improve its effectiveness. We believe that the partnership principle should therefore be mandatory and include the local level: partnership between the European, national, regional and local level is required in order to design, decide and implement policies in line with the Strategy.

Delivering key policy priorities

11. We understand that the future budget should be designed to help delivering **the Europe 2020 Strategy** for smart, sustainable and inclusive growth. CEMR supports the principles of sustainability, but we are critical towards an approach which concentrates on growth and increasing productivity.
12. We wish to highlight that the Europe 2020 Strategy covers only some goals of the European Union. **Territorial, economic and social cohesion** for example, is an objective of the EU and enshrined in the Treaty. Therefore cohesion policy and the Structural Funds cannot just become instruments to implement the Europe 2020 Strategy².
13. CEMR appreciate the recognition of the benefits of the EU cohesion policy and its solidarity dimension. However, the merits of **solidarity** are not limited to economic return. It is important to underline that solidarity, and its visible expression in EU cohesion policy, is crucial if we want to develop a European Union supported by the citizens.
14. **Research and innovation** for example are certainly important to make Europe more sustainable, but economic development and productivity should not be their only or even most relevant concern. We believe that two major dimensions of innovation are neglected in the Communication: social/societal and institutional innovation.
15. The CEMR does not share the Commission's statement that the EU budget should help to restore growth by "directing resources where the rewards can come more quickly, more broadly and more strongly." In order to support smart and sustainable development we should give priority on improving the quality of life, the environment and the climate challenge and not to productivity, competitiveness and economic growth.
16. Investment in quickest and broadest return might be very unsustainable in the long term and contradict the Communication's claim that the EU budget should be allocated according to the EU policy priorities. **Creativity** as such **and innovation** can be hampered by too narrow a focus on return on investments.
17. **Education** is a very important issue and investment in education systems at all levels and in all groups of society is an objective that the CEMR supports. We wish to highlight that this also finds its expression in lifelong learning to make our societies more sustainable. Therefore, we regret that the Communication does not further explore efforts that could be taken in this area.

² See CEMR's key political messages on Cohesion Policy and the Europe 2020 Strategy: http://www.ccre.org/prises_de_positions_detail_en.htm?ID=108

18. CEMR shares the view that the **agricultural** sector has to contribute to a wide variety of EU objectives, including cohesion, climate change, environmental protection and biodiversity. However, we advocate complementing this sectoral approach by a territorial dimension: a broad rural development policy should ensure the sustainable development and diversification of rural territories across the EU, including the agricultural sector.

Effective spending and Simplification

19. The Commission raises the question of macroeconomic **conditionality**, proposing that “the receipt of EU funds could be used to reinforce both preventative and corrective measures to support the Stability and Growth Pact”. CEMR is opposed to such an approach: First, such sanctions would affect the regional and local level which is not responsible for the financial management and related decisions of the central government. Second, to withdraw regional development funding as punishment for breach of the Stability and Growth Pact would be in contradiction to the EU’s objective of territorial, economic and social cohesion enshrined in the Lisbon Treaty.
20. Within cohesion policy, CEMR supports result oriented conditionality for the Structural Funds under certain clearly defined circumstances: a) the conditionality has to be limited to cohesion policy, thus on the fulfilment of specific cohesion policy aims for a specific region by a specific region; b) only if these latter have been jointly agreed upon by all governmental levels with the obligatory involvement of local and regional authorities.
21. The CEMR has, for a long time, been advocating for a **simplification** of the funds and a reduction of administrative burden³. We therefore very much welcome the Commission’s statements along this line and invite the Commission to come up with bold concrete proposals.
22. A **Common Strategic Framework**, as proposed in the Communication, replacing the current fragmented approach of different programmes and aiming at better coordination and coherence, would be a very important step to increase effectiveness and efficiency of EU-funded programmes.
23. We invite the Commission to ensure that the new Common Strategic Framework effectively becomes a general regulation including concrete implementing provisions (like eligible costs, financial issues, audit), the specific regulations dealing only with unavoidable implementing measures that are specific for a given fund.

Financial instruments

24. CEMR welcomes the Budget Review’s plea to look seriously into the EU’s own resources, in line with the EU Treaties.
25. We are also in favour of the proposed 5+5 years Multi-Annual Framework, which has the advantage of combining long term predictability with sufficient flexibility.

³ See for instance CEMR’s response to the public consultation on the review of the financial regulation : http://www.ccre.org/prises_de_positions_detail_en.htm?ID=98

26. CEMR is, in principle, in favour of the proposed strengthening of new financial instruments. However, it is crucial that these are in addition to, and not replacing, EU and national funds and grants.
27. The idea of EU project bonds seems promising; however, the concept needs further clarifications.