

A budget for Europe: liberal priorities for the EU budget 2014-2020

**Theme Resolution approved at the ELDR Congress,
25 November 2011, Palermo, Italy**

Preamble

The effects of the global economic and financial crisis that began in 2008 continue to be felt by the European Union (EU) and its member states. The crisis is not over and Europe's response to it remains a matter of vital importance.

The crisis has highlighted how interconnected the world has become, and shown that no single country can overcome the consequences of such an upheaval in economic and financial markets on its own. European Liberal Democrats believe that it is only through coordinated action at the European level that member states of the Union will return to a path of growth, employment and prosperity. Therefore, it is essential that the EU budget for the seven-year period from 2014 to the end of 2020 is one that promotes and enables initiatives to be undertaken at European level, in order to meet these goals and to make a demonstrable difference to the lives of European citizens, whether at local, regional or national level.

It is therefore vital that on the expenditure side the EU budget focuses on those areas where the Union can deliver more than individual countries acting alone (European added value), including on matters of research and development, vocational training and innovation within the framework of the Europe 2020 strategy and in tackling climate change and reducing the EU's dependency on external, environmentally damaging energy sources. In this regard, there must also be a clear route for the long-term financing of the EU that deflects the discussion away from national interests about how much money countries are going to get back from the European pot at the end of each year, and establishes the focal point of budget discussions on how to use the EU budget most effectively for the common good of the Union.

The European Liberal Democrat and Reform Party Congress convening in Palermo, Italy on 23-25 November 2011:

Creating European added value from European Union expenditure

Notes that:

- The European Union is setting out strict budget rules for the Member States and should therefore set an example by reducing all the institutions overhead spending to the most efficient level, which should be defined through an external assessment;

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- As a result of the economic and financial crisis, EU member states are implementing a range of austerity measures in order to reduce their public debt;
- The European Commission has proposed a multiannual financial framework for the period 2014-2020 set at € 1,025 billion in commitment appropriations (1.05% of EU GNI) and at € 972,198 billion in payments appropriations (1% of EU GNI), which corresponds, respectively, to an increase by 3.16% and 3.12%, in constant prices, in comparison with the current multiannual financial framework. However the Commission's proposal also includes several Funds outside the main budget, which means that the real level of total expenditure will be 1.11% of the EU GNI.
- The 2007-2013 EU budget is dominated by two policy areas; the Common Agricultural Policy (CAP) (39.4% of the total budget) and cohesion policy (35% of the total budget);
- The ELDR Party manifesto for the 2009 European elections and resolution "Agriculture and climate change" (2009) call for ambitious reform of EU agricultural policy within a multilateral framework (World Trade Organisation) and a continuing reduction of its budget after 2013;
- The European Commission proposals for the EU multiannual financial framework 2014-2020, released on 29 June 2011, put forward a reduction in CAP support to 36.2% of the EU budget and welcomes this; however the very idea of subsidised farming conflicts with the liberal vision of free and fair trade and competition;
- It is worth remembering that more than 95% of the CAP is decoupled, and export subsidies are virtually gone - being less than 1% of the CAP, a fact that is often overlooked;
- Agriculture has been an important part of the Union's objectives in order to ensure food security throughout its territory. This objective has long since been achieved. Nowadays, the agricultural sector contributes less than 2% to the GDP of the EU whereas still 42% of the EU's budget is devoted to agriculture. The agricultural budget has to be reduced in a foreseeable and reliable way in order that the producers can adjust. Furthermore, with public finances under serious pressure due to the economic crisis, it is important to press for better targeting and a more efficient use of this part of the EU budget;
- EU Agricultural policy should continue to move away from price support for farmers and export subsidies and recognise the wider role that active farmers play, and have the potential to play, in the rural environment as "stewards of the environment", including tackling climate change;
- While forming a new EU Agricultural policy the suggestions made in the report by MEP Lyon should be taken into account;

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- The *Arab Spring* in the Middle East, as well as a number of challenges such as climate change, migration and rising food prices, has substantially increased opportunities for a transregional role for the European Union;
- The increased streams of migration have caused severe strains on many EU member states and their local and regional authorities, resulting in increasing demands for a more active role for the EU's border agency FRONTEX. Yet the proposed increase in funding for "the EU as a global player" remains minimal; up only by some € 20 billion over the coming seven-year period - or 1.02% compared to the current multiannual financial framework;
- A fair and reliable comprehensive approach to neighbouring regions, including migration, is based on active support for development in countries of origin, possibilities for labour migration and combating of illegal migration and trade in human beings;
- There are, especially in parts of the European Union most in need, advantages derived from revolving funds compared to traditional subsidies and welcomes the JEREMIE (access to finance for SMEs) and JESSICA (sustainable urban development) initiatives through which the Structural Funds have provided important capital with considerable leverage effects.

Whereas:

- The EU has received new competences;
- There have been liberal achievements in reforming EU agricultural policy, including: a reduction in CAP funding from a high of almost 70% of the EU budget in 1985, creating a more financially sustainable and targeted CAP; the decoupling of direct support for farmers through removing the link between payments and the production of a specific product; ensuring farmers have greater consideration for environmental, animal welfare and food quality standards by making financial aid dependent on respecting these issues; and putting further emphasis on a reorientation from direct aid to a more comprehensive approach to rural development that will strengthen initiatives in the areas of climate change, renewable energy, water management, biodiversity, and innovation.

Considers that:

- At an overall level, the MFF should shift its relative focus from traditional CAP and cohesion policy to areas with a greater European added value;
- EU-level projects not only have the potential to create long-term benefits for the Union as a whole, but can save individual member states money through better coordination across all EU countries, thus avoiding twenty-seven different and costly means of achieving the same ends. As a result, any increase of the MFF

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2014-2020 budget must lead to significant savings at the national level.

- The budget for 2014-2020 must be focused as an investment budget investing in innovation policies such as research and development or Transeuropean Networks. Accordingly, negotiations should centre on priority areas where EU spending can make a difference;
- National politicians all too quickly resort to criticising or blaming “Brussels” for unpopular measures taken at the member state level, which heightens a sense of negativity towards the EU and fuels misinformed, anti-EU sentiments;
- EU cohesion policy should focus on those parts of the union most in need, and can play a vital role in creating equality between Europe’s regions, while acting as an incentive for private investment, leading to economic growth and social prosperity;
- The research and development cooperation within the multiannual R&D-programme is an example of true added value since it pools and avoids duplication of scarce resources and plays a vital role in finding solutions to common EU challenges such as tackling climate change, curing diabetes and cancer, etc.
- Transnational networks are crucial to advancing economic and business and social and cultural ties between regions as well as being a prime example of the benefits that can be derived from EU projects in general and cohesion policy in particular;
- As a matter of principle, the level of EU co-financing should reflect the European added value of the different investments made under the cohesion policy and rural development programmes;
- The importance of respecting and fully supporting the office of the High Representative in order to speak with one voice and to coordinate efforts in the field of Foreign Affairs becomes all the more important in a rapidly globalising world. Acting collectively, the European Union has the potential to become a leading world power;
- In times of austerity, important financial savings and other strategic gains can also be made through increased pooling and sharing of resources in defence spending, which relies on heavy financial investment and top level research;
- With a better use of the European Social Fund, there should be no need for a European Globalisation Fund in the next seven year EU budget, and believes that the very idea of such a Globalisation Fund conflicts with the liberal vision of free and fair trade and competition;
- Existing programmes that encourage the mobility of students and educational professionals should be further developed.

Calls for:

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- Enhanced cooperation between Members of National Parliaments and Members of the European Parliament. By working closer together, both MPs and MEPs will take ownership of the legislation drafted in "Brussels";
- An end to the blame game that sees "Brussels" made the scapegoat for things that national politicians do not want to take responsibility for;
- An enhanced accountability of EU expenditure towards EU citizens through better and coordinated information and communication about positive results and huge benefits of EU policy making;
- A debate at the Member State and European levels on what constitutes European added value;
- New joint EU solutions which create an added value and demonstrate the efficiency of community action;
- Greater scrutiny of the EU budget in terms of the added value that EU level initiatives bring before allocating money to the various budget lines;
- The economic governance package to be further strengthened by introducing automatic measures to reinforce compliance, as well as additional measures, for example the rules in the Stability and Growth pact should be regulated by law in all euro countries;
- A commitment to review the CAP during the 2014-2020 period and to further reduce its budget beyond 2020 as part of the ongoing process of phasing out the policy;
- A much more flexible and simple budget that can easily adapt to new circumstances;
- Agriculture and forestry to be considered as integral parts of climate and environment policies, both at national and international level;
- The European Commission to propose an action plan for economic growth and jobs which includes, among others, binding targets for the EU2020 strategy;
- the involvement of stakeholders at national, regional and local levels in the implementation of the EU cohesion policy. The policy must be characterised by a clear bottom-up approach;
- Encouragement of greater industry participation in the cohesion policy;
- Continuous simplification of the implementation of the cohesion policy and the CAP.

Wants to see the EU budget 2014-2020 include:

- Substantial reform of both the CAP and the cohesion policy;

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- Alignment of EU spending commitments, including in particular the CAP and cohesion policy, with the goals of the EU 2020 Strategy;
- The introduction of a "greening" incentivisation payment aimed at improving sustainability, tackling climate change, improving farm competitiveness and driving innovation across the EU through EU-wide applicable measures. *This greening incentivisation payment should not disadvantage those farmers who are the most advanced in terms of environmental protection, and should not lead to an additional administrative burden;*
- Financial means for the fight against climate change, as well as for sustainable development, energy infrastructure to secure the Union's economic future and reduce dangerous dependency on imported oil and gas, renewable energies and preservation of biodiversity, in line with EU political commitments and declarations, including the elimination of all environmentally harmful subsidies;
- An incentive to further promote the allocation of resources from the Rural Development Fund to SMEs in rural areas;
- Further investment in future-oriented trans-national networks in the fields of energy, transport and communications as a means through which to foster economic growth and to boost social interaction across the Union;
- An increase in the share of the EU budget allocated to Research, Development and Innovation policies;
- Close monitoring of the agenda of contemporary and emerging social movements and non-traditional forms of participation of young citizens in the social and political arena.
- Funding for the extension and promotion of the Erasmus scheme to enable students, researchers and academics both from inside and outside the Union to spend a period of time at an EU university;
- A reduction in administration expenditure to be achieved by replacing the monthly commute of the European Parliament to Strasbourg with the establishment of a single seat for the Parliament in Brussels;
- An increased share devoted to the EU's role as global actor, to answer to topical challenges in the Union's geographical vicinity in both the short and long term, as well as giving the EU's External Action Service, set up by the Member States in the European Council, the appropriate tools, support and cooperation to operate fully, in order for the EU to speak with one voice worth listening to in the global arena.

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Financing the European Union

Notes that:

- The Treaty of Rome contained a clear aspiration to financial autonomy;
- In 1970 the national contributions were replaced by three own resources: agricultural levies, import duties and a VAT resource;
- The re-introduction of the GNI resource in 1988 in the EU financing system was supposed to temporarily complement a decrease in own resources, but was prolonged and reinforced over the years, to become today the main component of EU budgetary resources;
- This predominance has emphasised Member States' tendency to calculate their net balance, the consequence of which is a series of rebates, corrections, exemptions and compensations which render the current system of own resources, incomprehensible to the EU citizens;
- The European Commission proposals for the EU multiannual financial framework 2014-2020, released on 29 June 2011, include a number of ideas for potential new EU own resources of which an impact analysis is in progress.

Considers that:

- Principles of transparency, fairness, economic, environmental and social sustainability and shared common interest should be central to the way the EU is financed;
- The culture of member states looking at how much others are paying into the EU budget and how much they think they should receive back (via varying projects and rebates) overshadows budget negotiations and takes the emphasis away from the added value that the EU can bring, as well as being detrimental to the notion of the European common good;
- While welcoming the debate on a reform of EU revenues, the proposals currently presented by the Commission are not acceptable. The introduction of a Financial Transaction Tax or an EU-level Value Added Tax would constitute an enormous tax burden and have to be rejected;
- Any introduction of new own resources should not increase the burden on EU tax payers, but instead reduce the burden on national treasuries;
- If new own resources are to be introduced they should reduce member state contributions.

Calls for:

- The goal of reaching a financial system where rebates are not necessary;

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- Transparency in the way the EU is funded, and how and why decisions are taken when it comes to setting the budget level and priorities of the Union;
- A feasibility study of the impact of EU own resources before any decisions are taken as to which own resources could potentially be implemented;
- A European budget which is adjusted to the priorities of the 21st century in which a decreased percentage of the EU budget is allocated to structural and cohesion funds and the CAP. This would also pave the way to end member states' rebates in the EU budget.

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