BUSINESS FOR NEW EUROPE
EVIDENCE FOR REVIEW OF THE BALANCE OF COMPETENCES – EU BUDGET
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About BNE

BNE is a coalition of business leaders articulating a positive case for reform in Europe. We provide a platform for debate on European issues to business leaders and policy makers at the highest level. We publish research, hold regular seminars and conferences, and seek to ensure that a reasoned, pro-European voice is heard in the UK.

We support the UK's membership of the EU and oppose withdrawal to the margins. We support positive and constructive engagement with the EU as the only sensible approach and as vital to our national interests.

We support a vision of a prosperous free-market Europe able to compete in a globalised world.

We support economic liberalisation and oppose excessive EU regulation, centralisation and red tape.

We support the enlargement of the EU and recognise the benefits that the recent wave of enlargement has brought.

BNE is a not-for profit organisation funded by donations from the private sector. We are not affiliated with any political party, and we do not receive funding from the government or the EU. Our Advisory Council is made up of senior business people who support BNE in a personal capacity, and our Executive is responsible for the day-to-day running of BNE.

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Overview of the EU Budget

Our general view is that there is a strong case for an EU budget to support the Single Market, improve infrastructure, accelerate structural adjustment, support innovation and promote a competitive and open EU. It should not, however, provide open-ended subsidies for uncompetitive sectors; make massive resource transfers between regions; or duplicate spending more legitimately and efficiently undertaken by national governments.

The existing planning framework provides a degree of transparency and stability required for medium-term investment, and the system of commitments and payments reflects the reality of time-lags between spending decisions and financial execution, although 'dormant' commitments remain a significant concern in terms of financial management. The broader financial management system continues to have serious structural weaknesses, caused in part by the chain of responsibilities between the Commission, and national and regional bodies in the member states, and continues to undermine confidence in the underlying expenditure.

In terms of the overall level of spending, the recently agreed cut of 3.4% in real terms to the 2014-20 budget is a move in the right direction, encouraging a better use of resources, and showing what Britain can achieve if it is active at the negotiating table. However, 73% of the EU's budget is spent on CAP and regional policies, while another 6% is spent on administration. This does not leave much funding for other ventures. Reforming these areas should be a priority. That said, the budget only represents 1% of EU GDP and the UK's net contribution to this represents only around 0.5% of Britain's GDP, and is much less than is gained by the UK from the Single Market, estimated by the CBI to be 4-5% of GDP.[1] We pay slightly more than France but slightly less than Germany. This balance is broadly appropriate.

BNE's specific proposals for reforming the EU budget are as follows:

Reforming the CAP for the 21st Century

CAP represents too large a portion of the EU budget (40%), though this will decrease to around 27% by the end of the current budget period. Large farms in older member states still receive much more than those in poorer newer member states, and this needs to change. CAP should not give an increasing amount to farmers if they have more land as this

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[1] CBI Report, Our Global Future: The Business Vision for a Reformed EU, 2013

benefits those who need the money least. Too little of the money goes towards improving the environment and boosting sustainability (14%).

Main Recommendations

- Introduce means testing for individual CAP beneficiaries.
- Cut the direct payments received by the top 11 EU member states by 50%.
- Increase the direct payments to the four poorest EU member states by a quarter but only temporarily and based on environmental conditionality.
- Gradually introduce reforms with the goal of fully liberalising the EU agricultural sector.
- Assign more funds towards improving the environment and boosting sustainability.

Making Better Use of Structural Funds

EU structural funds account for 34% of the EU budget. More than a third of the funds are poured into the poorer regions of richer member states, when they would be better aided by national governments. There is no need for funds intended for these regions to be routed through the EU, only to come back again. Furthermore, there is no reward or penalty if the money is or is not used to boost efficiency.

Main Recommendations

- Boost the European Territorial Cooperation fund to strengthen transport infrastructure.
- Maintain eligibility criteria for convergence funds but apply at the level of member states, not regions.
- Cut regional competitiveness funds to EU member states with a GDP above EU average.
- Funding should be performance linked.

Key Priorities for Ensuring Competitiveness

Main Recommendations

- Give higher priority to R&D spending within the overall budget.
- Recognise the European Added Value of pan-European spending on R&D, SMEs and infrastructure.
- Increase SME access to finance by enlarging the venture capital funds and loan guarantee schemes.
- Urge member states to remove obstacles that are preventing a true European venture capital market.
- Accelerate the development of energy, ICT and transport infrastructure.
- Invest increased funds into the energy and ICT sectors under the potential CEF programme.
- Generate greater private investment in energy by strengthening cross-border networks.
- Prioritise budget ICT spending on access to high-speed broadband across the EU.