



Questions Raised in the Consultation

Introduction

Briefing Paper Number 1 in this series sets out the context in which the review takes place, the process and the contribution which QCEA hopes to make to this process.

Briefing Papers Number 2 and 3 in this series address both the structure and size of the budget and some of the key issues raised by the current situation. Briefing Paper 3 also looks at the possibility of introducing taxation at EU level. All three of these Briefing Papers aim to be critically factual.

This Briefing Paper looks at the Consultation Document issued by the European Commission in September 2007, particularly the questions raised in the document which are intended to frame the consultation. The European Commission has asked 12 Questions and has put these together in a response document which can be obtained from the European Commission website at:

http://ec.europa.eu/budget/reform/library/contributions/formulaire_contribution_en.doc

The response prepared by QCEA will follow this format, will concentrate on those questions which consider to be most pertinent (we have identified these by indicating that they are a priority for us below), but will also take the liberty of adding comments on other issues if necessary.

The consultation document itself can be accessed on the European Commission Website at:

http://ec.europa.eu/budget/reform/library/issue_paper/consultation_paper_en.pdf

The Consultation

The consultation document itself is relatively short (some 13 pages) and sets out the background to the review, the context and the fact that the Common Agricultural Policy will be reviewed at the same time (in the words of the document, this will undergo a 'health check', a term which might imply something rather less in depth than a review).

The consultation also comes with its own website at:

http://ec.europa.eu/budget/reform/issues/issues_en.htm which contains all necessary documentation and also gives access to the responses to the consultation so far received. At the time of writing this it is too soon to assess whether the response will be significant and/or helpful to the budget review as only very few responses are in so far. Some follow the format of the response questionnaire and others do not.

QCEA intends to use the response questionnaire and add on to it comments on other issues not yet addressed.

The Questions

Below is a list of the questions contained in the consultation document with some initial comments - this paper invites Friends and those in sympathy with QCEA to respond to us with your views as to how we should comment on these questions. QCEA will then draft a response to submit to the European Commission (which we will post in full on our own website) by the end of March (in other words in good time before the deadline of 15 April 2008). Please refer to the other Briefing Papers in this series for information about some of the concepts and issues.

In considering the questions, one is left feeling that some of these are rather rhetorical and presuppose a particular answer. The comments we have inserted reflect some of our thoughts on these matters but do not

reflect necessarily the direction of comment we will submit. That will depend on both the responses we receive and our further work on this.

1	<i>Has the EU budget proved sufficiently responsive to changing needs?</i>
	Clearly, the fact that a review is under way shows that the EU budget has not been seen to be sufficiently responsive. The timescales of the decision making processes, especially the medium-term financial planning framework, are unresponsive to changing needs and to changing policies in the short and medium term. In fact, the EU budget - and in this term we would include the financial planning framework - has the feel of an ocean liner steered by a committee.
2	<i>How should the right balance be found between the need for stability and the need for flexibility within multi-annual financial frameworks?</i>
	Briefing Paper 3 sets out the issues around the planning cycles. We expect to put forward our proposal of a rolling medium-term planning framework.
3	<i>Do the new policy challenges set out in the consultation document effectively summarise the key issues facing Europe in the coming decades? (priority question)</i>
	<p>The policy challenges included in the consultation Paper are summarised below in the order in which they appear in the paper:</p> <ul style="list-style-type: none">◆ Growing diversity and change in an ever more complex global environment◆ Scientific and technological progress◆ The need to boost knowledge, mobility, competitiveness and innovation◆ The transformation (of society) to a knowledge and service economy◆ Changes in the structure and balance of our societies (here, the issues included appear to be demographic changes, migration, sustainability of public finances, and work - life balance)◆ Solidarity and social and economic cohesion within Europe◆ Climate Change◆ New challenges relating to agriculture, countryside, rural society, and maritime areas◆ Secure, sustainable and competitive energy supply◆ Migration pressure (and the responses to this which are listed as secure borders, innovative ways of managing migration and addressing root causes of migration: i.e. war, instability and poverty)◆ Security and safety for citizens (this ranges from combating crime and terrorism to health and safety issues)◆ Global presence to project Europe's interests and values; there is some recognition that the distinction between domestic and external policies are disappearing (or at least blurring). <p>We might argue that all of these policy challenges are still seen very much from the point of view of narrow European interests rather than looking at the global context and the need for worldwide social and economic justice. It is also a listing which reflects a reactive rather than proactive and strategic approach as there is little evidence of overall objectives or a vision for Europe's role in the world. Comparing this with the title (though not the content) of the European Security Strategy 'A safer Europe in a better world' at least in terms of the words the European Security Strategy has a much clearer vision of what the world should look like in the context of European values.</p> <p>There is, thus, scope for discussing these challenges in terms of both what they say and what they leave out.</p>

4 *What criteria should be used to ensure that the principle of European value added is applied effectively?*

This question goes to the issue of when money should be spent at European rather than at national or more local level. The consultation paper is relatively vague on this, referring to subsidiarity and proportionality (see Briefing Paper 3 in this series for a definition of these terms). The factors listed which are necessary to justify spending at EU level are:

- ◆ there is a transnational dimension to the issue
- ◆ there is potential for economies of scale
- ◆ there is a need for a critical mass not possible at Member State level in all Member States
- ◆ there are local preferences (it is not entirely clear what is meant by this in this context)
- ◆ the coordination costs are minimised by spending at European level
- ◆ other political circumstances.

What is not explicitly included is the justification of European level spending for the following reasons:

- ◆ to achieve social and economic cohesion between Member States
- ◆ to further solidarity between Member States
- ◆ to develop cultural cohesion
- ◆ to allow the European Union to act on a global stage as a recognisable and coherent actor.

5 *How should policy objectives be properly reflected in spending priorities? What changes are needed? (priority question)*

The consultation paper lists a number of issues which might be used as criteria for decisions about spending priorities. On the whole, it seems that the question of spending priorities is being considered in the context of the consultation paper from a point of view of how to manage spending rather than what should be achieved with spending. The issues raised in this list, to an extent, reflect that.

They are:

- ◆ **Spreading the resources thinly over a lot of policy priorities or focusing on a few areas in a more concentrated way:** this clearly depends both on the size of the overall budget (which should not be a given for the purpose of the review) and on the need for spending (in terms of total resources required to make a difference) in different policy areas. Clearly, there is no point in spreading finances so thinly that they do not make a contribution to anything; on the other hand the concentration of funding in one or a few policy areas can have very distorting effects (as can be seen in the history of the Common Agricultural Policy which was the main focus of EU spending over many years in the past and which still takes a large proportion of the budget).
- ◆ **The balance between centralised and decentralised management of resources:** this does not seem to be a matter of principle; it is more a question of effectiveness and efficiency. Questions arise as to whether there are mechanisms in place that are able to manage resources at a decentralised level or not and what it would cost to set up such mechanisms either centrally or in a decentralised way. The coordination costs of decentralised management need to be considered. What should not drive this discussion is national competition for apparent power. Once there has been a decision made about the spending that should take place to achieve a certain objective, the decision on how to manage that should be made only on the basis of what is efficient and effective.

- ◆ **Simplification:** this is an issue which will probably not be that meaningful to citizens in general. It is fair to say that the range of budget lines that had evolved up until the end of the last medium-term financial framework was extraordinary and difficult to understand; there has already been some simplification, which may have beneficial effects on the implementation of programmes. All financial planning frameworks should aim for simplicity, establishing a clear link between a financing instrument/budget line and a programme or action.
- ◆ **Leverage:** the consultation paper suggests that the choice of management method helps to determine the extent to which EU funding has leverage function - i.e. it brings in more money from other sources. It is not really a matter of the choice of management method but rather the choice of whether to make funding available with or without co-finance. Co-finance means that a proportion of project or programme costs funded by the EU have to be contributed from other resources; this could be through national or local government contributions, through contributions from other international organisations, in the form of loans from the European Investment Bank or in the form of private/charitable sector contributions.
- ◆ **The use of executive agencies:** this, too, is much more a management question than a question of principle or spending priorities.
- ◆ **Ensuring transparency, visibility and accountability in the management of the budget:** this goes without saying. The real challenge is how to do this because it makes critical demands on the information strategy of the European Union. It is a matter of making the information available in an accessible format but also of ensuring that the level of informed interest in these matters is high enough for citizens to want to inform themselves. A better link between citizens and the European Union budget (for example through taxation that is transparent) would go a long way in this direction.

6 *Over what time horizon should reorientations be made? (priority question)*

For background on this, see Briefing Paper 3 in this series. We would expect to put forward a proposal to move to a rolling planning framework to ensure that financial planning remains medium term and increases its flexibility in response to new policy challenges.

7 *How could the effectiveness and efficiency of budget delivery be improved? (priority question)*

The consultation paper does not say all that much on this subject. Some of the management issues raised in the section of key issues for delivery of the budget go in this direction. The use of executive agencies, co-financing (which levers not only additional finance but also additional ownership and buy-in with the resulting interest in sound management), and the question of whether funding should be managed centrally or not go into this direction. Essentially, there is no one answer to this when we are reflecting on a budget which finances over 150 policy areas across 27 Member States and beyond, which address a broad range of political issues. These decisions need to be made on the basis of basic criteria for each budget and each programme. The basic criteria here should be no different to the criteria for good financial management in any organisation.

8 *Could the transparency and accountability of the budget be further enhanced?*

In part, this relates to the issues of '*ensuring transparency, visibility and accountability in the management of the budget*' above. But of course, 'transparency and accountability of the budget' goes further than just the management of the budget. It also involves transparency in the discussions which lead to the formulation of the budget and accountability in terms of how it has been spent and whether it has achieved its objectives. Such transparency and accountability can always be enhanced. Whilst it is true to say that there is a large volume of information on both these available, it may not be as user-friendly and accessible as might be desirable. There is scope for engaging with citizens to find out how this information could be brought closer to them. This should, ideally, form part of the review.

9 *Could enhanced flexibility help to maximise the return on EU spending and political responsiveness of the EU budget? (priority question)*

The consultation document envisages greater flexibility as 'allowing resources to be reallocated between or within budget headings. This could help to shift support to the highest-performing programmes in terms of cost-effectiveness and criteria such as observed absorption capacity'¹.

This definition of flexibility is limited and it would be important to suggest flexibility in a wider context which does not only benefit high performers with greater absorption capacity but which is also about solidarity and capacity building. Re-allocation should also be possible where for either timing or other reasons, resources allocated to one programme are not needed there. The regular under-spending which has characterized many years of EU accounts could thus be minimised.

The formulation of the question, referring as it does to 'maximising the return on EU spending' rather than 'effectiveness of EU spending' shows that the thinking behind the question is rather narrower than would be ideal.

10 *What principles should underpin the revenue side of the budget and how should these be translated in the own resources system?*

This question relates to the income side of the budget and essentially relates to the discussion of whether the EU should be financed by transfers from Member States (whether in the form of discretionary payments as with the UN or in the form of mandatory payments as is the case for 85% of the budget now) or by a real own resource made up of levies, customs duties and some form of EU level tax. Please see Briefing Paper 3 for a discussion of the different options of EU taxes which are conceivable.

In any response QCEA might wish to make to this question, we will want to consider whether we want to argue for or against an EU level tax; and if we argue for such a tax whether we take a view as to what kind of tax (or what mixture of taxes) would most reflect our values in this.

The values and criteria which we would want to focus on relate to equity and solidarity on the one hand (in terms of the type of tax) and transparency and accountability in terms of whether or not to opt for a tax.

¹ Consultation paper accessed on 8 January 2008 at http://ec.europa.eu/budget/reform/library/issue_paper/consultation_paper_en.pdf, p 10

11 *Is there any justification for maintaining correction or compensatory mechanisms? (priority question)*

This question is about the UK rebate and the various other adjustments which ameliorate the impact of this rebate. The question is quite strange in this context because surely one of the objectives of the review would be to arrive at a system which made any further correction mechanisms unnecessary. Otherwise any new approach would have inbuilt problems from the start.

12 *What should be the relationship between citizens, policy priorities, and the financing of the EU budget? (high priority question)*

As with many of the other questions, their formulation is patronizing and disingenuous in equal measure and presupposes a particular direction in the responses.

What is clear is that a new approach to financing the European Union must start with the policy priorities. It is hard to imagine that anything else could make sense (although the current system falls well short of this). So, in order to have a proper review of the budget, this should be looked at on a zero base; in other words, it is necessary to assess (and this would be no mean feat) what it would cost to pursue the policy priorities in all policy areas and to then put them in a priority order. This would then allow a good look at the magnitude of a budget that could fund all the programmes and actions to which the EU has committed itself.

If that exceeds current resources, as is likely, then there has to be a discussion about either reducing the number policy priorities/programmes or increasing the resources.

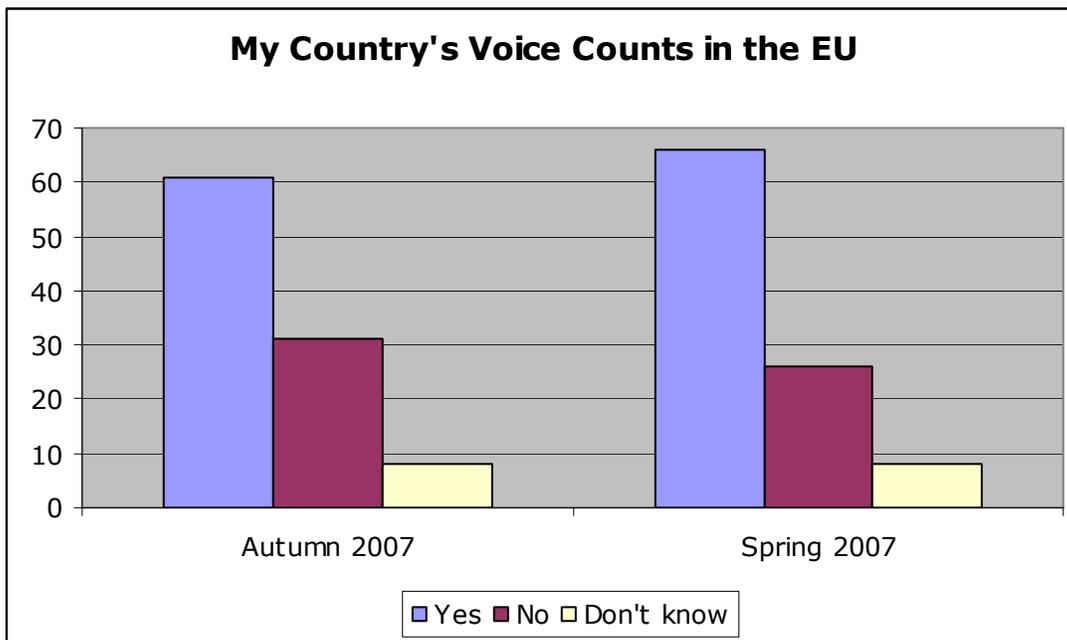
And once that has been done, it might also be possible to agree on how that should be financed.

Thus far, the relationship between policy priorities and the budget.

The relationship between the citizens and the budget (both in terms of what it funds and how big it is) is a different and more complicated issue. There needs to be a serious attempt at getting information about what the EU does across to citizens in a form in which it is accessible, absorbed, understood and forms part of the political discourse which, in turn, can feed into decision making at EU level about the priority order of the policies and the magnitude of the budget. This is something that has to be done but can not be done quickly.

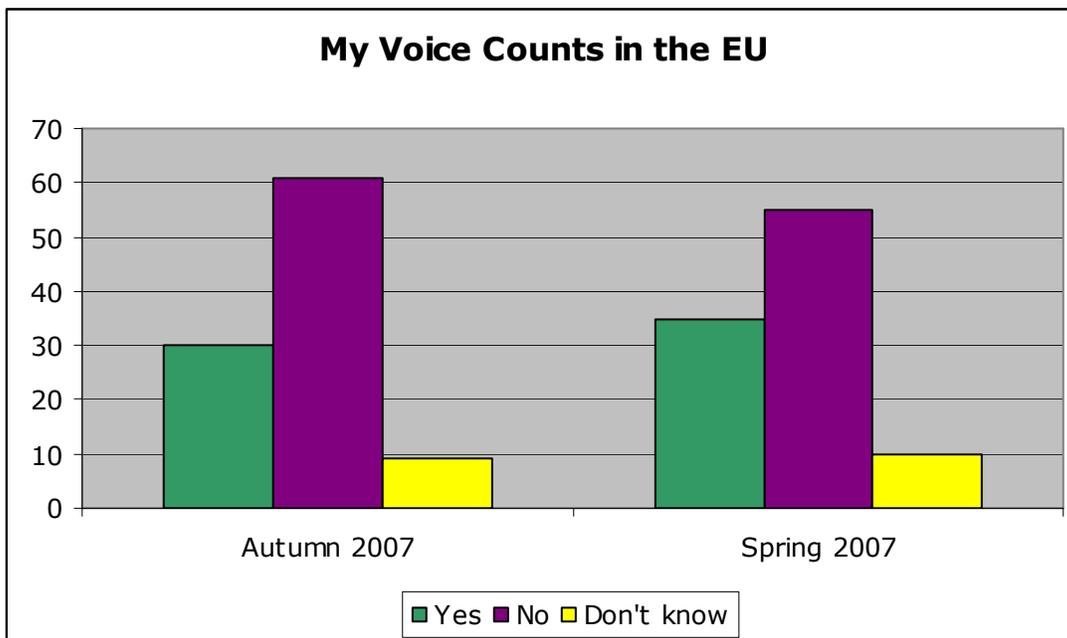
If one were to take the Eurobarometer² as an indication as to whether the EU seeks the opinions of its citizens on issues relating to policy priorities and budgeting, then it is clear that this is not high on the list of priorities. One question asks which policy areas should be handled at EU level and another asks whether the voice of the respondent's country and their own voice are heard at EU level. The results are quite telling:

² A representative opinion survey of European citizens carried out on behalf of the EU every 6 months; the results are available at: http://ec.europa.eu/public_opinion/index_en.htm



A majority of those asked think that their country's voice counts in the EU but the proportion that thinks so has reduced over the last 6 months.

When it comes to the question of the citizen's voice, the picture is different:



Most citizens don't think their voices count and this has increased over the last 6 months.

Any question about the relationship between the citizens and the EU policy priorities on the one hand and the EU budget on the other need to take these results into account.

As we have said above, QCEA will want to address a number of other points in the response to the consultation. This will take the form, in most cases, of widening the debate from that formulated in the question. However,

one particular point we want to raise in addition to the questions set out above is why the European Development Fund is not included in the EU budget. We would welcome any feedback on this, too.

We want to hear from you

The purpose of these Briefing Papers is to encourage and enable Quakers and others in sympathy with Quakers to provide us with their thoughts and feedback on the consultation so that we can then collate these responses and submit to the consultation a contribution that reflects a wide range of views among Quakers.

We would like to hear your views by no later than 15 March 2008. We will prepare our response to the consultation and submit it by 31 March 2008; at the same time, we will post it on our website.

If you are going to send your own contribution to the consultation - and we hope that these Briefing Papers will help to enable you to do that - then we would be very pleased to have a copy of your contribution.

All responses to these briefing papers should be sent to QCEA by e-mail addressed to Sara Erlandsson at serlandsson@qcea.org or by post to Sara Erlandsson, QCEA, Quaker House, Square Ambiorix 50, B-1000 Brussels, Belgium.