



HOUSE OF LORDS
European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 8663
Fax: 020 7219 6715
roperj@parliament.uk
www.parliament.uk/lords

Rhodri Morgan AM,
Committee Chair,
The National Assembly for Wales,
Cardiff Bay,
Cardiff
CF99 1NA

22 December 2010

Dear Rhodri;

EU Budget Review and Commission Work Programme 2011

The Committee has today launched an inquiry into the EU Budget Review. I enclose our Call for Evidence on this important subject. The Committee would be delighted to receive views in writing on any aspect of it from you and your Committee, for publication with our report if you so wished.

The Committee has also considered the Commission's Work Programme 2011 (COM(2010)623), and the UK Government's Explanatory Memorandum dated 26 November. The Committee asked me to invite you and your Committee to notify us if anything in the Work Programme is of particular interest or concern to you, whether in connection with the subsidiarity principle or for any other reason. This would not be for publication, but to inform our scrutiny work next year.

I look forward to hearing from you about either or both of these matters, ideally by the end of January, and at the latest by 16 February. And I look forward to seeing you at the next EC-UK meeting on 7 February.

I also enclose my Committee's Annual Report, which you may find interesting.

Yours faithfully
John Roper

The Rt Hon the Lord Roper
Principal Deputy Chairman of Committees



HOUSE OF LORDS

SELECT COMMITTEE ON THE EUROPEAN UNION

EU FINANCIAL FRAMEWORK FROM 2014

Call for Evidence

The Commission has published a Communication *The EU Budget Review*, with *Technical annexes*. An *Explanatory Memorandum* has been published by the Treasury, giving the UK Government's views.¹

The European Union Committee of the House of Lords, chaired by Lord Roper, has launched a short inquiry into these documents. The Committee seeks evidence from anyone with an interest.

Written evidence is sought by 26 January 2011. Public hearings will be held in January and February. The Committee aims to report to the House, with recommendations, by Easter. The report will receive a response from the Government, and will be debated in the House.

The Budget Review will lead to the setting of the Multiannual Financial Framework (MFF) from 2014. It is therefore a vital piece of policy, which will affect much of what the EU does for years to come. The debate will continue through 2011 and 2012. The next step will be when the Commission issues a proposed MFF in July. Therefore our report at this stage will not be our last word on the matter.

The Committee seeks evidence on any aspect of this topic, and particularly on the following questions. You need not address them all. If you call for more spending in one area, please say whether you would expect a net increase, or an offsetting saving elsewhere. CC = Commission Communication, EM = Explanatory Memorandum.

Principles

1. What principles should underlie the EU Budget? What are the justifications for spending money at EU level rather than national level?
2. How important is European added value? How should European added value be (a) defined, and (b) measured? How does it relate to subsidiarity?

¹ http://eur-lex.europa.eu/Result.do?T1=V5&T2=2010&T3=700&RechType=RECH_naturel&Submit=Search

http://eur-lex.europa.eu/Result.do?RechType=RECH_celex&lang=en&code=S2010SC7000

http://europeanmemorandum.cabinetoffice.gov.uk/memo_details.aspx?memoID=3744

3. Should demonstrating European added value be the fundamental test to which all EU spending is subjected? Which areas of EU spending demonstrate European value added? Which do not?

Expenditure

Research and infrastructure ("smart growth")

4. The Commission proposes that EU funding in this area should be focused on the EU's core objectives, particularly those contained in the Europe 2020 Strategy. They suggest that European added value is provided through economies of scale and coordination. The Seventh EU Framework Programme for Research and Technological Development (FP7) has a total budget of €53.2 billion and runs for the same period as the current MFF; 2007-13.² A proposal for the successor programme – FP8 – will be published in spring 2011 and will begin in 2014. Should the budget of the FP7 be maintained³ under the FP8 or increased? What should its priorities be?
5. The Commission suggests that the funding of cross-border infrastructure is one of the best examples of where EU funding could plug the gaps and deliver European added value. While the majority of funding in these areas will be met from the market, significant gaps will still remain in relation to riskier, less commercial projects, which have trouble attracting private investment. The EU and Member States must determine the priority investments. What should the EU budget's priorities be in terms of expenditure among and between energy, transport and telecommunications infrastructure projects? Should EU spend in this area beyond 2013 rise, fall or stay level?

Agriculture, environment and climate change ("sustainable growth")

6. Should EU spend in this area beyond 2013 rise, fall or stay level?
7. The Commission notes that tackling the challenge of resource efficiency, climate change and of delivering energy security and efficiency is one of the core objectives of the Europe 2020 Strategy. It suggests that these themes ought therefore to be mainstreamed across all EU funding programmes.
 - a. Should EU expenditure be contingent on meeting energy and climate goals? If so, why?
 - b. Should specific funding streams be identified in funding programmes in order to deliver energy and climate priorities?
 - c. Which EU funding programmes would particularly benefit from greater integration of energy and climate goals?

² The UK is one of the largest net beneficiaries of contracts and funding under the FP7.

³ The UK's recent Comprehensive Spending Review stated that the research budget would be maintained in cash terms.

8. Over the period of the current financial perspective, agriculture accounts for around 42% of EU spending⁴. The European Commission repeats the European Council's view that a sustainable, productive and competitive agriculture sector could make an important contribution to the Europe 2020 Strategy, and to other EU objectives such as global food security.
 - d. How significant a part of the EU budget should the Common Agricultural Policy be, and why?
 - e. How can agricultural spending deliver the sustainable, productive and competitive agriculture sector which, according to the European Council, could make an important contribution to the Europe 2020 Strategy?
 - f. Should global food security be addressed through the CAP, and if so what budgetary implications would that have?

Cohesion funds ("inclusive growth")

9. Should EU spend in this area beyond 2013 rise, fall or stay level?
10. Should EU spending reflect more the concept of cohesion as a redistribution policy or as a policy for EU economic development? What changes to EU spending are needed in support of either of these views?
11. Should the MFF treat structural funds⁵ differently? Should these funds have a role in counterbalancing the effects of the austerity measures adopted by the majority of Member States? Do the current economic circumstances justify a revision of the principle of co-financing?
12. How can EU expenditure improve the linkages between Europe 2020 and cohesion policy? Should conditionality be considered as a possible tool to align Europe 2020 and cohesion policy?
13. How could EU expenditure be used to maximise the impact of cohesion policy? What measures should be put in place to support cohesion as a results-driven policy? Is the idea of a performance reserve of any value?

EU budget as a tool for economic governance

14. Should the budget review give more emphasis to the contribution that the EU budget could make to efforts by Member States to improve economic governance?
15. Should the EU budget be used to continue the existence of the European Financial Stabilisation Mechanism?

⁴ Of the CAP budget, 70% is paid in direct payments to farmers and 30% is available as rural development funding to promote aspects such as competitiveness, environmental schemes and diversification in rural areas.

⁵ Structural funds include: the European Social Fund, the European Regional Development Fund and the Cohesion Policy Fund.

Other expenditure lines

16. At what level should the budget ceiling be set for the EU's external spending in the forthcoming MFF? Do you agree with the Commission's view that "a substantial increase of the overall volume of development assistance" should be made, and if so why? Does the separate financial regime applying to the European Development Fund require further examination, as the Commission suggests (CC p18)? Should a specific budget line, separate from development aid, be included in the MFF for climate finance to developing countries, and at what level should it be set?
17. Currently administrative expenditure accounts for 5.7% of the EU's budget. Given the nature of the budget, is this an acceptable level? The Commission promise a "rigorous search for increased efficiency and performance in administrative resources". How should this search be conducted and report, and should its results be available in advance of discussions on the next MFF?
18. You are welcome to comment on any other budget lines not already mentioned.
Funding instruments (loans, grants, guarantees, "innovative financial instruments") and structure of the budget (flexibility, duration, large scale projects)
19. Should the structure of the next MFF be more flexible in determining the areas of EU expenditure and how should such flexibility be achieved? How can flexibility be balanced against budgetary discipline?
20. Would more flexibility meet the needs of large-scale projects such as Galileo and ITER, or would an alternative approach be more suitable, such as the establishment of a separate support structure to which the EU budget would make a stable contribution, as suggested by the Commission?
21. Should the use of EU project bonds, PPPs or innovative financial instruments more generally be encouraged? How might such tools improve the impact of the EU budget?
22. Should the current system of budget headings be revised? Should the number of headings be reduced and their terms made less specific?
23. How long should the period covered by the MFF be? Should it incorporate a substantial mid-term review?

Europe 2020

24. Do you agree with the Commission's proposal that the new MFF should reflect the Europe 2020 Strategy for smart, inclusive and sustainable growth? How can this best be achieved?

Income: the EU's Own Resources

25. The Commission does not at this stage say how big the MFF should be, but the Government want the next MFF to be "smaller in real terms" (EM 43). Do you agree?
26. The Commission suggests possible new "Own Resources" to fund the EU Budget (CC p26), but the Government say they will not support "a new EU tax" (EM 56). Do you agree?

Correction mechanisms

27. The Government will defend the UK abatement (EM 44). What is your view of this and the other correction mechanisms? Should the income side of the budget have regard to net contributions or not? In what circumstances should the UK abatement be given up?

The inquiry will not address the budget implications of EU enlargement, nor financial management and the Court of Auditors' Statements of Assurance.

21 December 2010

Evidence should be submitted to Hazel Scott, Committee Office, House of Lords, London SW1A 0PW, fax 020 7219 6715. The deadline for written evidence is 26 January 2011.

Evidence must be clearly printed or typed on single sides of A4 paper, unstapled. Short submissions are preferred. A submission longer than six pages should include a one-page summary.

Paragraphs should be numbered. If drawings or charts are included, these must be black-and-white and of camera-ready quality. Evidence should be signed and dated, with a note of the author's name and status, and of whether the evidence is submitted on an individual or corporate basis. Only one copy is required. All submissions will be acknowledged promptly. The evidence should also be made available in electronic form as a Word document. This should be sent by e-mail to scotthl@parliament.uk.

Evidence becomes the property of the committee, and may be published by the Committee at any stage. Once you have received acknowledgement that the evidence has been received, you may publicise or publish your evidence yourself, but in doing so you must indicate that it was prepared for the Committee. Parliamentary privilege will not apply to your own publication.

Personal contact details supplied to the committee will be removed from evidence before publication. However, personal contact details will be retained by the Committee Office and used for specific purposes relating to the committee's work, for instance to seek additional information or to send copies of the committee's report.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster, broadcast in audio and often video format on the internet, and transcripts are published. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Written evidence by persons who give oral evidence will normally be printed with the Committee's report. Other written evidence will normally not be printed, but published online and deposited in the Parliamentary Archives.

Substantive communications to the Committee about the inquiry should be addressed through the Clerk or the Chairman of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy direct.

You may follow the progress of the inquiry from the Weekly Bulletin of House of Lords select committees. This is free, and may be ordered from Committee Office, House of Lords, London SW1A 0PW, telephone 020 7219 6678. Alternatively, consult the UK Parliament website, at www.parliament.uk/hleu.