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ASIA: HALLITUKSEN KANNANOTTO KOMISSION 10.2.2004 ANTAMAAN RAHOITUSKEHYSTIEDONANTOOON

Perustuslain 97§:n perusteella valtiovarainministeriö lähettää oheissa
eduskunnalle hallituksen kannanoton komission 10.2.2004 antamaan rahoituskehystiedonantoon uusista rahoituskehyksistä. Kannanotto on hyväksytty EU:n ministerivaliokunnassa 11.2.2004. Lisäksi toimitetaan komission englanninkielinen tiedonanto.

Ministeri Ulla-Maj Wideroos

Budjettineuvos Rauno Lämsä

LIITEET: Muistio ja komission englanninkielinen tiedonanto

Helsinki 11.02.2004

1 HALLITUKSEN KANNANOTTO KOMISSION 10.2.2004 JULKISTAMAAN RAHOITUSKEHYSTIEDONANTOON

Euroopan unioni on historiansa suurimman haasteen edessä. Kuluvana vuonna tapahtuva laajentuminen kymmenellä uudella jäsenmaalla on olennainen askel Euroopan yhdentymisessä ja sodanjälkeisen kahtiajaon poistamisessa. Unionin jäsenvaltioiden keskinäiset elintasoerot tulevat olemaan suuremmat kuin koskaan ennen, mikä luo haasteen koheesiopolitiikalle.

Unionin tulee samalla entistä enemmän keskittyä toimintaan, joka tuo lisäarvoa kun sitä hoidetaan unionitasolla eikä vain yksittäisissä jäsenvaltioissa. Lisäarvoa syntyy, jos unionin taloudellinen kilpailukyky vahvistuu ja sitä tulee myös unionin muusta toiminnasta mm. oikeus- ja sisäasioissa, ympäristöasioissa sekä ulkosuhteissa. Unionin toiminnalle on asetettava selkeitä painopisteitä, joille myös annetaan riittävät voimavarat. Neuvotteluissa on arvioitava tarkasti kaikkien sektorien osalta tuoko unionin toiminta lisäarvoa.

Rahoituskehyksistä päätettäessä mitataan unionin kyky vastata näihin haasteisiin. Hallitus katsoo, että uusilla rahoituskehyksillä on tuettava unionin poliittisia tavoitteita. Kyse on rahoitusmitoitusten ohella poliittisista valinnoista. Rahoituskehysten tulee tukea yleistä pyrkimystä unionin eheyden säilyttämiseen ja niistä täytyy löytää kaikkia jäsenvaltioita tyydyttävä ratkaisu.

Hallitus pitää tärkeänä kurinalaista budjettipolitiikkaa sekä jäsenmaissa että unionissa. Se ei kuitenkaan voi olla esteenä jäsenvaltioiden keskinäiselle solidaarisuudelle. Uusien jäsenvaltioiden mahdollisimman nopea integroituminen on koko unionin etu, mutta myös nykyisten jäsenvaltioiden heikoimpia alueita tulee jatkossakin voida tukea.

1.1 Komission esitykset käytännön lähtökohta neuvotteluille

EU:n vuoteen 2010 asetetun kilpailukykytavoitteen saavuttaminen edellyttää unionin kasvumahdollisuuksien hyödyntämistä työllisyyttä ja tuottavuutta parantamalla ja rakenneuudistuksilla. EU:n budjetin resursseista yhä merkittävämmän osan tulisi kohdentua unionin tulevaisuuden kannalta tärkeisiin asioihin. Näistä näkökulmista komissio on arvioinut hyvin nykyisten rahoituskehysten kehittämistarpeita ja ottanut huomioon nopeasti muuttuvaa toimintaympäristöä. Suomi tukee erityisesti komission analyysia kilpailukyvyn ja Lissabonin strategian osalta.

Alueellisen koheesion ja kilpailukyvyn ja työllisyyden voimakas edistäminen koko EU:n tavoitteiksi tulevalla rahoituskaudella

Suomen mielestä on tärkeää, että unionin laajentumisesta tulee menestys. Uudet jäsenmaat tulee integroida unionin toimintaan ja politiikkaan mahdollisimman nopeasti. Tämä edellyttää solidaarista rahoituskehysratkaisua ja politiikkalinjausta koko EU:n puitteissa.

Unionin kattavalla solidaarisuudella kyetään luomaan nykyistä vaikuttavampia kasvumahdollisuuksia. Ainoastaan taloudellisesti kilpailukykyinen EU pystyy ylläpitämään hyvinvointia, työllisyyttä ja kestävää kehitystä. Alueellisen koheesion tulisi olla tulevalla kaudella koko unionin yksi keskeisimmistä toiminnan perustoista, minkä toteuttaminen heijastuu tehokkaamman rakennepolitiikan tarpeena. Suomi katsookin, että alueellisen koheesiopolitiikan ja kilpailukyvyn edistämisen tulisi olla uusien rahoituskehysten 2007-2013 sisällön ja resursoinnin kulmakivi.

EU:n kehittäminen maailman kilpailukykyisimmäksi ja dynaamisimmaksi osaamistaloudeksi merkitsee koko unionin ja jäsenmaiden enenevää panostamista tietoon ja innovaatioihin samalla, kun nopeutetaan rakenneuudistuksia. Kasvuun tähtäävän talouspolitiikan toteuttamiseksi tarvitaan Suomen mielestä nykyistä selkeämpää ja vastuullisempaa strategiaa. Tätä tarkoitusta varten tulisi Lissabonin strategiaa tarkistaa ja tietoyhteiskunnan tarjoamia mahdollisuuksia hyödyntää täysimääräisesti eEurope –ohjelman jatkamisen avulla. Työllisyysstrategialla tulee olla aikaisempaa merkittävämpi osuus Lissabonin tavoitteiden saavuttamisessa.

1.1.1 Lissabonin strategiaan huomiota kiitettävästi

Suomi on korostanut EU:n budjetin merkitystä Lissabonin strategiaa edistävänä välineenä. Tutkimus- ja kehitystoiminnan ja osaamispohjaisen talouden edistämisestä muodostuu rahoituskehysten valmistelun yksi keskeisimmistä haasteista. Komission kasvua ja kilpailukykyä koskevista määrärahaesityksistä Suomi pitää tärkeänä lisätä tutkimus- ja innovaatioresursseja. Näitä varoja voidaan lisätä silloin, jos se tuo lisäarvoa jäsenmaiden toimintaan. Tällöin on kuitenkin otettava huomioon mm. tulevan tutkimuksen puiteohjelman painotukset, rakenteet ja toimintatavat. Tutkimusvarojen tulee jatkossakin edistää eurooppalaista huippuosaamista ja luoda edellytykset yhteiskunnan ja elinkeinoelämän kilpailukyvyn osaamispohjaiselle kehittymiselle. Samoin eEurope- toimintasuunnitelman jatkuminen eEurope 2013:n muodossa tulisi varmistaa hyvissä ajoin.

Suomi näkee perustelluksi keskittyä esimerkiksi Lissabonin strategiassa ydinpainopistealueisiin ja samalla karsia vähämerkityksellisiä ohjelmia. Nämä tulee ottaa huomioon uudistettaessa Lissabonin strategiaa kaudeksi 2007-2013. Mm. TEN- varojen osalta voidaan lähteä nimelliskasvun turvaamisesta.

Alue- ja rakennepolitiikan rahoitus riittävä, mutta sisällössä korjattavaa

Alue- ja rakennepoliittisissa ratkaisuissa tulee pyrkiä tasapainoiseen, innovoivaan rakennepoliittiseen rahoitusratkaisuun, joka tyydyttää sekä uusia että nykyisiä jäsenmaita. Rakennepolitiikan uudistus tuleekin kytkeä Lissabonin strategian toimeenpanoon. Työllisyys- ja osaamistavoitteiden rahoituksen tulee säilyä vähintään suhteellisesti nykytasolla. Näiden tavoitteiden toteuttamiseksi tarvitaan komission esitysten pohjalta alue- ja rakennepoliittisia resursseja suunnilleen 0,40 %:ia EU:n bruttokansantulosta.

Suomen tavoitteena on edelleen, että Suomen pohjoiset ja itäiset alueet sisällytetään korkeimman aluetukiluokituksen piiriin myös tulevalla rahoituskaudella. Näiden alueiden erityistilanne ja rakenteellisesti muita alueita heikompi asema tunnustettiin jo Suomen liittymissopimuksessa. Tämän aseman tunnustaminen jatkossakin on Suomelle kynnyskysymys. Rahoituksellisesti kyse on unionitasolla kuitenkin hyvin pienestä asiasta.

Maaseudun kehittämisen priorisointia jatkettava

Maaseudun kehittämisasiat ovat jääneet komission tiedonannossa liian vähälle huomiolle. Suomi tukee komission esitystä maaseudun kehittämistoimien rahoituksen kokoamisesta yhteen. Yhteinen maatalouspolitiikka, jonka määrärahatarpeista päätettiin lokakuussa 2002 ja kesäkuussa 2003, tarvitsee rinnalleen aktiivisen maaseudun kehittämispolitiikan koko unionin alueella. Maaseudun monialayrittäjyyden ja uusien työpaikkojen syntymistä on tarpeen edistää aikaisempaa tehokkaammin myös unionin yhteisillä toimilla. Se edellyttää maaseudun kehittämistoimien resurssien lisäämistä komission esittämää enemmän, noin 20 %:ia nykytasoon (1 b) verrattuna.

EU:n ulkosuhde-, oikeus- ja sisäasioiden sekä lähialuepolitiikan painoarvoa vahvistettava

Komission esitys ulkosuhteiden rahoituksesta ja sen selkiyttämisestä muodostaa toimivan pohjan keskusteluille. Ulkosuhdeohjelmien rahoituksen tulee perustua määrärahojen reaalikasvun turvaamiseen, mm. siviilikriisinhallinnan varoissa. Ulkosuhdeohjelmien tarpeita tulee arvioida yksityiskohtaisesti kun varsinaiset lainsäädäntöehdotukset annetaan.

EU:n lähialueiden merkitys kasvaa unionin nopeasti muuttuvassa toimintaympäristössä. Rajat ylittävän ja alueelliseen yhteistyöhön kohdistettavan naapuruusinstrumentin toimeenpano on oleellinen kehitettäessä EU:n lähialuepolitiikkaa. Se edellyttää rahoituksen kasvavaa suuntaamista tämän prioriteetin mukaan. Suomi lähtee siitä, että pohjoisen ulottuvuuden toimintaohjelman rahoitus tulee taata mm. ulkosuhderahoituksen tarkoituksenmukaisista rahoitusinstrumenteista.

Oikeus- ja sisäasioille tulisi osoittaa rahoituskehyksissä nykyistä voimakkaampi painoarvo. Suomi tukee komission esitystä luoda näille asioille oma meno-otsakkeensa.

Kurinalaisen budjettipolitiikan jatkuminen uudistusten lähtökohdaksi

Kurinalainen budjettipolitiikka on osoittanut toimivuutensa viime vuosien rahoitusratkaisujen ohjaajana. Nykyisessä tilanteessa on aiempaa tärkeämpää varmistaa tiukan budjettikurin noudattaminen myös tulevalla rahoituskaudella. Komission linjaukset eivät kaikilta osin täytä tätä vaatimusta.

Kaikkien unionin menojen kohdalla on yhä tärkeämpää tähdentää jäsenvaltioiden ja EU:n vastuiden selkeyttä ja EU:n toimenpiteiden lisäarvon, kasvu- ja kerrannaisvaikutusten tuottamista suhteessa kansallisiin toimiin. Näin voidaan vähentää painetta nostaa EU-budjetin tasoa.

Edellä olevien sektoripoliittisten mitoitusten pohjalta Suomi katsoo, että EU:n rahoituskehykset (sitoumukset) tulee mitoittaa tulevalla kaudella enintään noin 1,1 %:n tasolle EU:n bruttokansantulosta. Tällä kokonaismitoituksella tulee turvata lisäresurssien osoittaminen etenkin Suomen kannalta tärkeiden ja unionin tuloksiltaan vaikuttavimpien politiikkaprioriteettien toteuttamiseen. Tätä kantaa tarkennetaan, kun saadaan komission lainsäädäntöehdotukset kesällä 2004.[1]

[1] Euroopan kehitysrahaston budjetoinnin vaikutuksia ei ole tässä otettu huomioon.

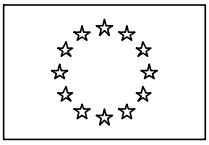
Tulosvastuu ja avoimuus on koko EU-rahoituksen välttämätön edellytys. Tilivelvollisuutta toteuttavia menettelyitä tulee kehittää. Ohjelmien lukumäärää tulee vähentää sekä hallinto- ja päätöksentekoprosesseja virtaviivaistaa. Näissä puitteissa hallintomenot tulisi mitoittaa nykytasolle.

EU:n rahoitusjärjestelmää yksinkertaistettava merkittävästi

Unionin laajentumisen myötä EU:n rahoitusjärjestelmä on kehittynyt perusteiltaan kestämättömäksi. On tullut aika arvioida EU:n rahoitusjärjestelmää uudelleen. Nykyjärjestelmän jatkaminen merkitsisi sitä, että kaikkein köyhimmätkin uudet jäsenmaat maksaisivat osan maksuhelpotuksia saavien vauraampien jäsenmaiden rahoitusosuudesta EU:n budjettiin. Tämä ei ole perusteltavissa. Järjestelmästä tulisikin poistaa kaikki maksuhelpotukset. Lopputuloksena olisi tällöin nykyistä merkittävästi yksinkertaisempi ja toimivampi EU:n rahoitusjärjestelmä.

Komission suunnittelema ns. yleinen korjauskerroin tekisi järjestelmästä vielä monimutkaisemman ja vähentäisi kannustavuutta kurinalaisen budjettipolitiikan harjoittamiseen. Suomi suhtautuu tähän esitykseen yksiselitteisen kielteisesti.

Suomi ei kannata EU-veron käyttöönottoa. Suomen mukaan EU:n uusien rahoituskehysten ja rahoitusjärjestelmän uudistuksen tulee muodostaa kaikkia jäsenmaita tyydyttävä kokonaisuus, joka antaa selkeät viitteet vuoden 2013 jälkeisestä ajasta.



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Building our common Future

Policy challenges and Budgetary means of the Enlarged Union 2007-2013

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"As to the future, the task is not to foresee it, but to enable it."
Antoine de Saint-Exupéry

INTRODUCTION

The European Union stands on the threshold of its greatest achievement since the process of European integration began in the aftermath of the Second World War – the historic reunification of the continent. Following the successful creation of the single market and the introduction of the single currency, Europe will now be reunited in the pursuit of democracy, freedom, peace and progress.

This enlarged European Union offers unprecedented opportunities for improving the prosperity and quality of life of our citizens and the world in which they and their children live. The challenge now facing us is to turn this ambition into a reality and ensure that the European Union seizes the full potential of enlargement and meets public expectations.

The obligation to adopt new Financial Perspectives from 2006 onwards presents an opportunity to give the enlarged European Union a real sense of political purpose together with the means to achieve its ambitions, with actions at European and at national level working in tandem.

Our shared objective should be a Europe that celebrates the cultural and national diversity of each Member State, remains attached to national identity, yet is also committed to the value of European identity and the political will to achieve common goals. A Europe of solidarity and partnership, which gives people the opportunity to build a lasting prosperity in common. A Europe whose citizens have confidence for the future. A Europe with a voice that is heard world-wide.

Of course, we face this challenge against the background of a troubled world and internal uncertainty, and recent events have generated doubts about the European Union's ability to act.

To give Europe a Constitution is a powerful and symbolic act, but it is as yet unrealised. The European Union must continue down the path of integration, and avoid the trap of unwieldy inter-governmentalism. This is why we need the Constitution, and the instruments to decide and act quickly, so that we can move forward while maintaining the checks and balances of the community method. Agreement on a new Constitution therefore remains essential to Europe's future.

Economically, Europe must rise to the challenge. Our citizens expect the European Union to build on economic integration and turn the biggest economic and trade entity in the world into an area generating more growth and prosperity. Europe's economic performance has been poor in relative terms. Since 1995, the growth rate for the EU-15 has averaged 2.2 %, compared to a global average of 3.6% and 3.2% for the United States. The evidence suggests that – unless action is taken now – European economy will decline. The longer the European economy underperforms, the more doubts are raised about its ability to deliver one of the key foundations of political legitimacy prosperity. Robust, coordinated and coherent action is needed to reverse this trend.

To fight for peace and against terrorism worldwide is a field where Europe must make a strong contribution, but divisions over key international issues poured cold water on these hopes.

Addressing these issues, or losing its way: this is the real challenge for the Union and its Member States. The costs of inaction are great, and will become even greater.

A new commitment is needed to agree the objectives of the European project for the enlarged Union over the years ahead and give it the means required to deliver them. Without this, all Member States stand to lose. Joint action is needed by all public authorities, at both European and national level, to optimise the value added at each level and bring tangible benefits to all.

The Union's value added lies in transnational and Europe-wide action. Here, national authorities are ill-equipped to take into account the full benefits or costs of their actions. Effectiveness requires large critical masses beyond the reach of national governments alone, or in networking efforts made at national level.

Common policies, as established by the Treaties, can deliver these benefits, through a mix of regulation, coordination, and financial resources.

The choices to be made on the next financial perspectives are not just about money. It is a question of political direction, to be made on the basis of a clear vision of what we want to do. These choices will determine whether the European Union and its Member States are able to achieve in practice what European people expect.

This means a new phase for the Union's budget. It is not about redistributing resources between Member States. It is about how to maximise the impact of our common policies so that we further enhance the added value of every euro spent at European level.

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Successive financial perspectives have reflected a political project. For Agenda 2000, covering 2000-06, the project focused on gearing up Europe to make enlargement possible. With enlargement now a reality, even if much work remains to be done to integrate the new Member States, Europe needs to find a new dynamism and meet new expectations.

Europe must work together for higher growth with more and better jobs. There is no magic solution to boost economic growth in Europe and to set it on a sustainable path. Nonetheless, it is clear that part of the problem lies with the fact that innovation and technology do not yet drive growth in European economies. Since Lisbon, the EU has sought to transform the European Union into a dynamic knowledge-based economy with a solid industrial base, with targets implying growth raised to around 3 percent per year. The inability of the Union and its Member States to reach this target shows how the action taken so far has fallen short.

The Lisbon strategy and the Internal Market require effective economic governance to deliver the balanced package of economic, social and environmental benefits which lies at the heart of sustainable development and allows Europeans to face change with confidence.

Growth must be underpinned by solidarity. Competitiveness and cohesion reinforce each other. The Union's cohesion policy exists to ensure solidarity between all regions and citizens. It has proved itself in the past, and must now work in a Union that will be economically more varied than ever before. This means concentrating its actions on selected initiatives, and taking into account relative differences and needs.

The fruits of growth must be channelled so as to help Europeans through the process of change. The European social dialogue should therefore be reinforced and better integrated into public policy so as to help all economic actors to both anticipate and manage change.

European citizenship must serve to guarantee concrete rights and duties, in particular, freedom, justice and security, and ensure access to basic public services at European level. The benefits of membership for citizens now extend beyond market freedoms, and these issues must be prioritised. It is an area where public liberties and individual rights and duties at European level are developing, while cultural diversities remain strong and must be constantly supported and encouraged. Cultural diversity sustains European unity. The Union has therefore to complement Member States' efforts and ensure that the benefits of Europe without frontiers are available and accessible to everyone on an equal basis.

Europe must be a strong global player. No one can question the importance of the role that Europe has to play in the world, starting from its responsibility vis–à-vis its neighbours. This has been taken for granted, for example, in the future of Europe debate. Be it development assistance, trade policy, foreign and security policy or external aspects of other policies, the expectations for Europe are growing.

It is equally evident that on the global scene Europe is acting way below its economic weight and political potential. Only through the existence and efficiency of common action can we translate our values and political declarations into reality. We will never be able to properly respond to crisis in Europe or elsewhere without common instruments and the resources to make them work. As a continental and global player, the EU must rise to the growing challenges and responsibilities of its regional leadership.

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The future financial framework of the European Union should offer the stability to support the political objectives of the Union on a multi-annual basis. It must be targeted to deliver concrete, selected priorities that benefit Member States and citizens. This means optimising the relationship between action at national and Union level.

Common policies can and must continue to be central to achieving the objectives of the enlarged Union. Common policies are not an optional extra: in these fields, only joint action at European level can succeed.

Traditionally EU policies have been centred on the agriculture sector, on cohesion, on the creation of an integrated internal market and on the achievement of macroeconomic stability. In those areas, they have had great success. It would be a mistake to disengage from those fields, where policies have already been adjusted to build on their success and to address new needs. The agreement on agricultural reform and its financing shows that the Member States share this view. The Union must now further rationalise its action in those fields and extend it to the new Member States. But since enlargement will have an asymmetric impact on the Community budget – increasing expenditure more than revenues – even the simple preservation of the 'acquis' implies an intensification of financial effort.

The gap between ambitious, highest-level political commitments and a failure to implement them cannot be allowed to grow any wider. In many of these new priority areas, the capacity of the Union to deliver on the promises of the Member States is crippled by a lack of political will to act and by insufficient resources. The political aims and expectations set for the Union must be matched by adequate means, including financial resources. The goal must be to maximise the efficiency of public spending and make national and European efforts more than the sum of the parts.

I. PRIORITIES FOR THE ENLARGED EUROPEAN UNION

3 priorities for the next financial perspectives:

(1) The Internal Market must be completed so that it can play its full part in achieving the broader objective of **sustainable development,** mobilising economic, social, and environmental policies to that end. This encompasses competitiveness, cohesion and the sustainable management and protection of natural resources.

(2) The political concept of **European citizenship** hinges on the completion of an area of freedom, justice, security and access to basic public goods.

(3) Europe should project a coherent role **as a global partner,** inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

A. Sustainable development

The internal market objective provides the basis for growth. But increasing European citizens' prosperity according to European values requires the transformation of the European Union into a dynamic knowledge-based economy, with sustainable economic growth and greater social cohesion. This is precisely what the Lisbon Agenda, launched in 2000, completed in the Göteborg European Council of 2001, is all about.
Reinforcing and delivering the Lisbon agenda entails addressing the mutually reinforcing aspects of competitiveness and cohesion. These are dealt with in the subsequent sections.
Increasing European citizens' prosperity in a sustainable way requires:

- Transforming the European Union into a dynamic knowledge-based economy geared towards growth.
- Pursuing greater cohesion in the context of an enlarged Union.
- Reinforcing the competitiveness of our agriculture, strengthening rural development, ensuring sustainable exploitation of fish resources and the quality of the environment.

1. Competitiveness for Growth and employment: the need to implement Lisbon

Giving priority to growth requires a new orientation for the national as well as EU policies and budgets. What is needed now is a more dynamic and better connected Europe. This requires a substantial change in policies to support the Union's physical and knowledge infrastructure. This means action to improve research, boost enterprise and innovation, and establish networks at European level, and to enhance the role of education. This is a condition of maintaining a competitive industrial base. Simultaneously, this requires new collective guarantees for employees and a new effort to anticipate and adjust in time to a changing global economic and trade environment.

The objectives:
- Promoting the competitiveness of enterprises in a fully integrated single market,
- Strengthening the European effort in research and technological development,
- Connecting Europe through EU networks,
- Improving the quality of education and training,
- Social policy agenda: Helping European society to anticipate and manage change.

a) Promote the competitiveness of enterprises in a fully integrated single market

In order to meet its ambitious goals of enhancing growth promoting cohesion and environmentally-friendly investment, Europe needs to develop a coherent competitiveness approach to unlock the untapped potential of the Internal Market. The Union can be the catalyst and coordinator of Member States' efforts and it can contribute to, and complement their achievements.
European Union actions to improve the business environment and to increase productivity could address the following strands:

– **Completing, improving and managing the Internal Market**. Further legislative work will aim to remove the remaining obstacles to full market integration. In some particular areas like network industries or services, the single market is still far from being a reality. Managing the Internal Market in areas

like pharmaceutical or chemical products, whether through agencies, or through European standardisation, will continue to involve a significant effort in the enlarged Union. An additional challenge will be to extend it to neighbouring countries.

– **Preserving and enhancing the competitiveness of industry**, aiming at higher productivity growth and improved international competitiveness. This includes a new approach to Community and national legislation, with the full use of "better lawmaking" principles, including the assessment of the impact of legislation and of the regulatory environment on the competitiveness of the European enterprises.

– **Fostering entrepreneurial initiative and small business development**. Further improving the access to finance through Community financial instruments, as well as the availability of European business support services, will contribute to the fitness of enterprises to do business in the enlarged internal market and to compete abroad.

– Mobilising relevant actors and resources to **help realise the innovative potential of enterprises**. Promoting **technology transfer** through knowledge flows and innovation networks will bring benefits to firms, in particular to young innovative enterprises. Innovation policy will also foster investment in innovation, in **organisational change** and in **innovative design** solutions. Facilitating common approaches, cross-border and regional activity as well as networking throughout the EU can contribute to the development and diffusion of an innovation friendly regulatory environment.

– More systemic approaches to the **information society** based on a mix of **research, regulatory and deployment** policies are a prerequisite for cutting the gap in productivity growth, since public and private investment in information and communication technologies play a major role in improving productivity, competitiveness and increasing efficiency.

– Investment in information and communication technologies **in public services** in the Member States is estimated to be around 50 Billion Euro up to 2011 for purely national actions. An additional effort will be necessary to ensure the uptake and adoption of those technologies in pan-European public services in order to improve their efficiency, effectiveness and interoperability. This covers public sector areas such as health, environment, culture, education and security.

– Promoting the take-up of **eco-efficient technologies**, which can reduce environmental impacts while contributing to competitiveness and growth. Many potentially significant environmental technologies exist, but are underused, due to lock-in to existing technologies, difficult access to finance, low investor awareness, distorted price signals. Based on the Environmental Technologies Action Plan, environmental technologies can be promoted through market-based instruments as well as targeted policy initiatives aiming at pushing innovation in this area. EU instruments in the field of research, demonstration, and innovation, as well as regional policy and external cooperation, should integrate this dimension.

b) Strengthening the European effort in research and technological development

An obvious area where the EU budget can, and should, make a difference is research and technology. The European research effort remains too fragmented, too compartmentalised and insufficiently connected to international cooperation. Moreover, Europe devotes only 2% of its GDP to research, compared with 2.7% in the United States and more than 3% in Japan. Europe has not been able to attract the best world's researchers, and many excellent European scientists still chose to work in US. This is a critical issue to improve our productive sector's capacity to benefit from the new international division of labour.

To help Europe to become a beacon of excellence attracting researchers and investments, we must remove the barriers to excellence arising from segmented national programmes. But quality improvements will not be enough. Increasing the research effort will also be necessary. This implies that the Union must pursue simultaneously three related and complementary goals:

- **Realise a "European research area"**, acting as an internal market for research and technology, as well as a space for a better co-ordination of national and regional research activities and policies, to overcome the present fragmentation and duplication of research efforts in Europe;

- Help raise the **European effort on research to 3% of Union GDP by 2010;** with 1% to come from public sources, and 2% from the private sector.

- **Support and strengthen research** throughout Europe by providing direct financial support at European level to complement national programmes helping to achieve the first two objectives.

Financial support at EU level offers a high added value in research by helping to create critical masses of financial and human resources, stimulating excellence and creativity through exchange, networking, collaboration and competition at European scale, and increasing the visibility of European capacities and performances.
There is hence a strong case for a significant increase in EU research funding currently at 0.04% of GDP, as a contribution to bridging the remaining gap towards the 1% target of public investment, as a complement to national efforts and in close relationship with them. The Union's action should concentrate on 5 main themes corresponding to 5 major issues Europe is facing in research:

- Stimulating the dynamism, excellence, creativity and productivity of European research by giving **financial support to** projects carried-out by **individual research teams selected on a competitive basis** at European rather than at national scale, in particular in basic research, to explore new scientific avenues and topics, in close relationship with the scientific community.

  To that end a European facility would be established along the lines of, for instance, the National Science Foundation in US, for awarding grants to the highest level individual research teams in competition at European level, in fields such as advanced mathematics or quantum physics in the perspective of new breakthroughs in informatics and software.

- Strengthening European **research capacities** by supporting the design, development and use of key research infrastructures of European dimension and interest, as well as the development of human resources in research and technology, by supporting training, helping remove the obstacles to pan-European scientific careers, and promoting researchers' transnational mobility. These actions would need to be coordinated with those under cohesion policy.

  Research capacities of this kind would be, for instance, European large lasers and neutrons sources facilities for the exploration of matter and biomedical applications; or European bio data-banks in genomics and the upgrade of Europe's research networking and computing infrastructure. Support to improve human research resources would include large scale support programmes for European young and established scientists.

- Setting up pan-European **public/private partnerships** for technological research through joint initiatives based on the **technological platforms concept** which brings together public and private stakeholders, to set-up and implement common research agendas in fields of industrial relevance, on the model followed in the European Growth Initiative.

> Examples of these partnerships would include the development of a new generation of clean and economic aircrafts at the horizon 2020; the development of hydrogen networks and fuel cells, mastering electronics at the nano-scale, investment in future mobile and wireless technologies and applications, enhancement of joint efforts in embedded systems, as well as new technologies in solar energy, and European co-ordinated effort in advanced chemistry, for multiple industrial applications and social purposes.

- Stimulating the development of European "poles of excellence" based on **networking and collaboration** at laboratory level by supporting transnational medium-scale networks and projects through the new instruments used in the 6th Union Research Framework Programme improved on the basis of experience.

> This strand involves supporting European poles of excellence in fields such as environment and climate research, information communication technologies, medical and food research, or research on new materials and industrial processes, by creating and supporting the cooperation of European high-level laboratories in European "networks of excellence" and joint research towards precise and well targeted objectives in "integrated projects".

- Improving, through specific networking mechanisms, the **co-ordination of national and regional research programmes and policies**, to create critical masses of resources, strengthen the complementary character of national activities, and improve the coherence of public research agendas throughout Europe. It involves stimulating exchanges, the mutual opening of programmes and the launch of common initiatives.

> National research programmes would be pooled in areas like, for instance, cancer, Alzheimer and emerging diseases, nanotechnologies, or research on the main social and economical challenges, like demography, education, employment and innovation.

In close link with its action in research, the Union should support the development of a coherent and strong effort at European level in two fields in which science and technology play a key role:

- **Space**, in support of a European space policy aiming at greater coherence of European and national private and public efforts, and focusing on the development of applications in fields such as positioning and navigation, earth observation and monitoring, and telecommunications, co-ordinating R&D investments at various levels and helping the EU to better realise its policy objectives in partnership with existing space powers such as Russia, and emerging ones like China, India and Brazil.

> Action in this area will rely on the implementation of a European space programme strengthening EU space projects (such as the GMES – Global Monitoring for Environment and Security).

- **Security**, in support of the implementation of Union policies, by fostering research needed to increase security in its different dimensions in Europe as a follow-up of the preparatory action launched in this field, in which US investments are five times higher than Europe's. This constitutes a Commission contribution to the wider EU agenda to address Europe's challenges and threats as set out, inter alia, in the European Security Strategy that was endorsed by the European Council in December 2003. It is complementary to the actions and efforts that are being deployed by the Member States and the other EU institutions.

  It would involve the development of knowledge and technologies with European added value to successfully anticipate, monitor and mitigate new security threats, such as those related to bio-terrorism, cyber-crime and global security, and to ensure the European position in the complex research networks.

EU action in the field of **dissemination of research results** will be strengthened accordingly, and **European participation and leadership in global initiatives** will be reinforced.

c) Connecting Europe through EU networks

Ten years after the launch of the trans-European networks initiative, the development of a spine of major axes across the European Union is stagnating. However, traffic on the networks is continuing to grow, and enlargement will generate additional growth in traffic on the road, rail and energy infrastructures. The cost of congestion is estimated to represent 1 % of GDP, which will double by 2020. If nothing is done, most of the increase will fall on roads leading to very negative consequences in terms of congestion, the environment, safety and quality of life. If nothing is done, Europe will not be connected, and it will pay the price of a failing infrastructure on its potential for growth.
High-performing trans-European networks are an essential catalyst for the sustainable mobility of goods, citizens and energy in an enlarged EU. This not only contributes to competitiveness, it also offers a tangible symbol of European integration. The untapped potential for people and for businesses resulting from better transport connections is estimated at 0.23% of GDP, meaning about one million permanent jobs. Projects like high speed rail lines or the European satellite navigation system Galileo will boost European industries at the cutting edge of high technology.
So action to create an efficient and sustainable transport system and a reliable energy supply is critical to economic performance. Inaction would bring real costs.
The return on this investment goes beyond national boundaries. This encourages national governments' failure to take a European perspective and their reflex to put national programmes first, especially in times of intense pressure on national budgets. European Union coordination and participation in financing with a special emphasis on cross-border sections can bring coherence on a continental scale, long-term stability, and can leverage greater private sector participation.

- For example, "Motorways of the sea" could take freight off the roads (for example, 7.6 million tonnes could be taken between Rotterdam and Bilbao each year, equivalent to 10 % of road freight on this route). But it can only work through EU coordination.

- The Mont-Cenis rail tunnel between Lyon and Turin would treble the current capacity and link some of Europe's most dynamic regions with the core of the new Member States. But it cannot be kick-started without EU backing.

The cost of the whole trans-European network is estimated at €600 billion. The new guidelines for the trans-European networks welcomed by the European Council in December 2003 offer better coordination between Member States and a tighter focus on a list of defined priority projects with precise dates. This included interconnecting national high speed rail networks by 2012, developing a core rail freight network in central Europe by 2015, and a package to connect ports and land transport by 2010.
The overall level of investment required to realise the 26 priority transport projects amounts to 220 billion Euros up to 2020, with funding to peak between 2007 and 2013. It is estimated that the private sector's share in financing this projects should be around 20% of funding requirements, the rest being financed jointly by national budgets, and the Community budget contributing up to 20%.
European funding is also required to ensure that Europe's energy supply is delivered across national frontiers and to develop renewable energy and clean fuel, with costs estimated at some 100 billion euros. Community initiatives are needed to raise the impact and appeal of renewable energy and energy efficiency and to meet agreed targets like providing 22% of electricity from renewable sources by 2010.
The Union will also need to pursue its efforts to remove the barriers hindering the development of an Internal Market for telecommunications and to ensure the availability of a secure broadband network infrastructure in all regions, devoting particular attention to the risk of digital divide between urban and remote and rural areas.

d) Improving the quality of education and training in the Union

Human capital is one of the major determinants of growth. One additional year of schooling can increase the aggregate productivity by 6.2% for a typical European country. Yet over the period 1995–2000, public investment in education and training as a proportion of GDP fell in most Member States. The EU lags behind its competitors in terms of the number of graduates, the skills achieved when leaving school, and participation in lifelong learning. There are also huge variations in performance from one Member State to another. In view of these declining indicators there is an urgent need to speed up the pace of reform and modernisation of Europe's education and training systems. Globalisation, technological and demographic change require a flexible and mobile workforce with relevant and continually updated skills.
Education policies are an area where closeness to the individuals and cultural diversity are very important, and hence where national and local authorities have a primary role. The overall modernisation of the Community's education and training systems is a centrepiece of the Lisbon strategy. Consequently, the European Council has adopted common objectives and a work programme to transform education and training systems into efficient life-long learning systems accessible to all citizens and to promote convergence in order to raise standards overall. The focus is on improving the quality of education and training (curriculum reform, new teaching methods, quality assurance), increasing access to education and training at all stages of life (including e-learning) and opening education and training up to outside influences ranging from labour markets to worldwide competition.
This work requires Union support, since the benefits are spread Europe-wide and Members States individually do not have the appropriate means. Besides cohesion policy support to infrastructure and basic education and training, the Union contribution takes two main forms: supporting individual mobility (such as students, teachers, academics or trainers): and promoting partnerships/networks between schools, universities and training providers in different countries. At the heart of this objective will be mobility of students, teachers, academics, trainers, and not least of ideas and best practices. Multilateral cross-border mobility is an area that, although recognised by all to be crucial, cannot be efficiently organised or funded at the national level. EU action only can provide the framework and financial support, for which demand under the current programmes far exceeds supply.

The following targets would include:

The participation of 3 million university students in mobility programmes by 2010 (the figure of 1 million was achieved in 2002) implying that some 10% of university students are offered the possibility to get exposure to and benefit from studying abroad;
The involvement of 150,000 vocational trainees a year in mobility actions by 2013;
Involving 10% of the Community's school population (pupils and teachers) in mobility actions throughout the programme period;
The participation of 50,000 adults in lifelong learning mobility actions by 2013.

The result must be a major contribution to re-establishing Europe as a pole of educational and training excellence.

e) A Social policy agenda: Helping European society to anticipate and manage change

The rapid change in international competitive conditions leads to a new division of labour which impacts on all. Its benefits are widespread but, combined with weak growth, it may result in increased unemployment and exclusion. Against this background, the EU must anticipate and accompany forthcoming changes: this is the essence of the European model of social cohesion and economic growth.
The Union needs to adapt, trigger and absorb change. By dynamically addressing challenges related to rapid change in international competitive conditions, the Social Policy Agenda is the Union's roadmap for policy and action in the employment and social sphere, as part of the overall Lisbon Strategy. Through the combination of legislation, the open method of coordination and social dialogue, and EU budget support, the agenda is instrumental in modernising the European social model.
The Social Policy Agenda should help Europe reach its full potential by strengthening social policy as a productive factor and addressing the cost of non-social policy.
The EU must provide the appropriate regulatory framework to create a level playing field for businesses and workers by establishing adequate social standards and basic rights. EU action also acts as a catalyst by facilitating the definition and implementation of reform measures by Member States in their labour market and social policies and, as such, brings about important policy developments with modest financial means. The EU level is also the most appropriate place to successfully promote social dialogue, as foreseen by the Treaty.

- In order to face the new challenges common to all Member States and to manage change in the context of enlargement, globalisation and demographic ageing, the Social Policy Agenda should be further strengthened.

- In its latest Spring report, the Commission called for the establishment of European Partnerships for change, tripartite mechanisms aiming at identifying common challenges and giving appropriate responses in terms of harnessing change. Collective agreements tend to cover an increasingly broad range of issues beyond the classical topics of wages and working time and are being developed into instruments for anticipating and managing change. These partnerships should also address questions related to the new international division of labour stemming from globalisation, with a particular sector by sector focus.

Action at EU level is warranted as:

- The EU provides the appropriate framework to create a level playing field for businesses by establishing common social standards and rights and free movement of workers.

Promoting prevention and setting minimum health and safety standards significantly reduced occupational diseases and accidents. However, the total cost to the economy still

amounts to between 2.6% and 3.8% of GNP, testimony of the high economic costs of not having appropriate legislation in place. The Commission has called for a target of a 15 % overall reduction in the incidence rate of accidents at work in each Member State. Currently 30 million people benefit from social security co-ordination provisions at EU level during a temporary stay in another Member State. The target of at least 100 million persons should be achieved through the deployment of the European health insurance card.

- EU policy coordination acts as a catalyst bringing about important policy developments in Member States with modest financial means.

The European Employment Strategy brings about structural reforms to Member States' labour markets. Further bridging the performance gap between the current employment rate and the full employment goal amounts to almost 16 million jobs. Tapping the potential of older workers alone would total 7 million jobs. The total cost of the underutilisation of the labour force is estimated at around 9% of the EU's GDP, or 825 billion Euro.

- The EU level is also the most appropriate place to successfully enhance the quality of industrial relations and promote social dialogue as foreseen by the Treaty.

The European Works Council Directive aims at fostering the information and consultation of workers at transnational level. By increasing the coverage of employees to 80% (from 65% currently) an additional 2.5 to 3 million employees could benefit from these mechanisms, thus attaining around 21.5 million workers across Europe and facilitating restructuring.

In the light of the above, here is a financial illustration for section 1:

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013
1a. Competitiveness for growth and employment	8.791	12.105	14.390	16.680	18.965	21.250	23.540	25.825

2. A greater Cohesion for growth and employment

Through its cohesion policy, the Union has made a significant contribution to harmonious, balanced and sustainable development. By mobilising Europe's unused potential, cohesion policy has also boosted economic performance overall at the same time as reducing economic and social disparities.

The added value of cohesion policy
Key features in the success of European cohesion policy in raising the economic perform-

ance of the future Member States and regions are the following, which should be strengthened in the future:

- **The concentration of resources on investment** in order to increase and improve the stock of physical and human capital and hence to have maximum impact on competitiveness and growth. It is this concentration that has permitted the majority of the less developed regions in the four poorest countries, the principal beneficiaries of the policy in financial terms, to achieve an average growth rate *above* the EU average over the period 1995-2001;
- **The respect for the rules of the single market**, for example, in relation to competition policy and public procurement. A measurable effect of this can be seen in the increase in intra-Community trade, notably between the least developed Member States and regions and the rest of the EU. In the case of cohesion policy, this means that around one quarter of expenditure under the programmes for these areas returns to the rest of the Union in the form of increased exports;
- **The emphasis on job creation in new activities** to help deal with the effect of economic and social change, because of the new international division of labour. For example, outside the less developed regions, the previous generation of programmes, 1994-99, assisted some 300 000 small businesses, contributing to the creation of 500 000 new jobs;
- **The contribution to partnership and good governance**. The system of multi-level governance involving Community, national, regional and local authorities and stakeholders helps to ensure that actions are adapted to circumstances on the ground and that there is a genuine commitment to success ("ownership");
- **The leverage effect** as a result of co-financing rules that mobilise additional resources for new investment from national public and private resources. Each euro of expenditure from the Union's budget for cohesion policy levers in on average € 0.9 in the least developed ("Objective 1") regions and € 3 in the other ("Objective 2") regions.
- The successful support to the Union's other sectoral policies.
    - by investing in the implementation of Community legislation, cohesion policy helps less favoured regions to meet EU standards, for example in the field of environment.
    - in sectors like education, transport and energy, cohesion policy offers large scale support to new investments, especially the least developed Member States and regions.

For the future, it remains essential to maintain an effective policy at European level to promote modernisation and faster growth in the less developed regions and to bring more people into productive employment across the Union as a whole. But the policy also needs to undergo reform in order to respond better to the new challenges.

An unprecedented challenge for the competitiveness and internal cohesion of the Union is presented by enlargement. In the enlarged Union, average GDP per capita will be more than 12% lower than in the Fifteen, while income disparities will double overall.

The reform must focus on competitiveness, sustainable development and employment as set out at the European Councils of Lisbon and Göteborg in a context of increased competition, globalisation and a generally ageing population. For the future, **the challenge is to ensure that the Lisbon and Göteborg objectives and anticipation of change stemming from the new international division of labour are systematically incorporated *from the outset* into the design of all national and regional development strategies**.

In an effort to improve the quality of expenditure for the next period in accordance with the Lisbon and Göteborg objectives, the Commission proposes that cohesion policy should be guided by an overall strategy. To this end, the Commission intends to present a strategic document to Parliament and to the Council setting out priorities for cohesion policy, including measures considered necessary in anticipation of economic and social change.

The Commission also envisages a more simplified and transparent priority framework, in order to deliver the Lisbon and Göteborg agendas in a way that is differentiated according to circumstances, with three priorities (replacing the current objectives) as follows:

– **Convergence.** The main effort must focus on the **less developed Member States and regions** of the enlarged Union. This would also include those regions that have not completed the process of convergence but would no longer be eligible for support because their level of income per head is higher in relative terms in the enlarged Union (the so-called “statistical effect”). Efforts under the convergence programmes would be devoted to modernising and increasing physical and human capital, in order to increase long-term competitiveness, foster environmental sustainability and provide a greater contribution to the Union's overall economic performance while developing best practices in governance and institutional capacities.

– **Regional Competitiveness and Employment.** The regional competitiveness and employment programmes would cover the **other Member States and regions**, since significant needs will persist throughout the Union as a result of economic and social restructuring and other handicaps. To ensure the added value of Community actions, interventions would need to concentrate on a limited number of policy priorities linked to the Lisbon and Göteborg agenda, where they can provide added value and a multiplier effect on national or regional policies. The employment programmes will be organised at national level. The regional development programmes would be simplified including the abandonment of the current system whereby the Commission must select small areas at sub-regional level. Rather, an appropriate balance would be determined between geographical and thematic targeting of interventions in the context of drawing up the multi-annual development plan. Support to regions no longer meeting the criteria for convergence programmes, even in the absence of the statistical effect of enlargement, would be included under this heading.

– **European territorial cooperation** in the form of **cross-border and transnational programmes**. The programmes would seek to address the particular problems that exist in achieving a competitive and sustainable economy in areas of Member States that are divided by national borders. The emphasis would be on the promotion of exchanges of experience and good practices, contributing to economic integration across the Union’s territory and to more harmonious and balanced development.

In the light of the above, here is a financial illustration for section 2:

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013
1b. Cohesion for growth and employment	38.791	47.570	48.405	49.120	49.270	49.410	50.175	50.960

3. Sustainable management and protection of natural resources: agriculture, fisheries and environment

The new Member States (and more to come) mean 75 million additional consumers,
4 million extra farmers in the European Union. Enlargement means a much larger market, more competition, and a challenge to meet high standards in terms of quality and safety of products, and environmental protection. The early decision of the Member States to replace their respective, costly and partly contradictory national policies by a common policy defined in the Treaty was dictated by the expected value added in terms of ensuring free circulation of agricultural goods and avoiding distortion of competition within the European Community, promoting the stability of supply, and enhancing competitiveness on the internal and external markets.
Since then, the policy has evolved taking on board additional public concerns such as production quality, the environment, animal welfare and a living countryside, which accounts for 80% of European territory. It also has taken account of the need to support farmers producing and conserving public goods in the most efficient way. Consequently, the CAP has actually been producing value added over time at a lesser cost than would have been the case had the Member States continued with their separate agricultural policies.
A fundamental reform of the Common Agricultural Policy (CAP) was decided last June and is being completed with a second package to be followed by a proposal on sugar in mid-2004. This is designed to secure a stable framework for the sector until 2013.
The reform is aimed at meeting the objectives of competitiveness, solidarity and better integration of environmental concerns thus becoming a key step in the Lisbon and Göteborg development strategy. It involves:

- A substantial simplification for the market support measures and direct aid payments by decoupling the direct payments to farmers from production.

- Further strengthening the rural development by transferring funds from market support to rural development through reductions in direct aid payments to bigger farms (modulation) thus linking the two pillars of the CAP that are complementary in enhancing the sustainable development of farming and farming communities.

- A financial discipline mechanism in line with the decision of the European Council to set a ceiling on expenditure on market support and direct aid between 2007 and 2013.

Contributing to the objectives of sustainable development and having been strengthened, the future rural development policy after 2006 will be focusing on three main objectives:

– increasing the competitiveness of the agricultural sector through support for restructuring (for instance investment aids for young farmers, information and promotion measures);

– enhancing the environment and countryside through support for land management, including co-financing of rural development actions related to Natura 2000 nature protection sites (for instance agri-environment, forestry and Least Favoured Areas measures);

– enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors (for instance qualitative reorientation of production, food quality, village restoration).

The Common Fisheries Policy (CFP) is the condition for equal treatment and equal economic chances for fishermen and the coastal regions of the Member States, and it is becoming increasingly important to ensure sustainable fishing as fish stocks dwindle, taking account of environmental, economic and social aspects in a balanced manner

Since 1 January 2003, the new reformed Common Fishery Policy focussing more on the sustainable exploitation of living aquatic resources based on sound scientific advice and on the precautionary approach to fisheries management together with aquaculture has now been firmly integrated within the Community's policy on sustainable development.

The achievement of Lisbon and Göteborg policy goals, namely the development of a European economy that delivers growth while reducing negative impacts on the environment, requires continued commitment to sustainable use and management of resources and environment protection. Environment policy is a fundamental complement to the single market and enhances quality of life. European citizens increasingly see access to a clean environment as a right and they look to the EU to guarantee that right and to ensure that Member States implement environment policy correctly. Important activities for the 2006-2012 period within these priorities include:

- Implementation of the EC Climate Change Programme, including a range of measures to ensure that the Kyoto Protocol target for EC greenhouse gas emission reductions is achieved;

- Implementation of the thematic strategies which address specific environmental priorities e.g. soil; air quality; pesticides; the marine environment; the urban environment; sustainable use and management of resources; and waste recycling;

- Implementation of the Environmental Technology Action Plan (‘ETAP’) to harness the full potential of environmental technologies, reducing pressures on natural resources, and aiming to improve the quality of life of European citizens while stimulating competitiveness and economic growth, further promoting the leading role the EU takes in developing and applying environmental technologies.

- Development and implementation of the Natura 2000 network of sites to protect European bio-diversity as well as implementation of the biodiversity action plan.

In the light of the above, the commitments undertaken must be respected and the European Union must manage its natural resources as a translation of the European model of growth and cohesion into the management of its environment.

In the light of the above, here is a financial illustration for section 3:

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013
2. Sustainable management and protection of natural resources	56.015	57.180	57.900	58.115	57.980	57.850	57.825	57.805

B. Giving full content to European citizenship

1. The area of freedom, security, and justice

Freedom, Security and Justice are core values which constitute key components of the European model of society.
Through the integration of the Charter of Fundamental Rights into the Constitutional Treaty the Union will have a legal obligation to ensure that fundamental rights are not just respected, but actively promoted as well.
It is now clearly recognised that the challenges posed by immigration, asylum, and the fight against crime and terrorism can no longer be met adequately by measures taken only at the national level only.
In this context, developing this dimension of the European Union is the new frontier for integration: a true area of Freedom, Security and Justice is an indispensable building block of the European Union, at the heart of the political project for an enlarged Union.
Action at the Union level ensures a fair share of responsibilities including financial burden sharing, and raises awareness of shared issues and values, thus facilitating the emergence of common approaches.
Enlargement will increase the number of citizens who expect to benefit from living in an area of freedom, security and justice on an unprecedented scale, and it will also bring particular challenges, for example in terms of the security of our external borders.

(i) External borders/immigration

- The Union must manage its **external borders** in an integrated way, to welcome legal immigration in a coordinated manner and protect from illegal entrants external borders stretching to approximately 6.000 km on land and more than 85.000 km of maritime borders after enlargement.

A key objective in this area is the European Border Agency to pave the way for the creation of a European Border Guard Corps with adequate means to execute tasks of surveillance and border control in support of national authorities.

- The EU will continue to face the challenge of ensuring respect for international protection obligations in a context of migration flows and asylum seekers. A **common asylum policy** based on a fair sharing of responsibility and financial burden between Member States will ensure uniform conditions for the reception of more than 400.000 people applying for asylum in the enlarged Union per year, while discouraging those with unfounded claims.

- A **common policy on immigration** for an effective management of the sustained migration flows needed to meet the needs of the labour market. In the light of demographic change, migrants will contribute to economic growth, competitiveness and the sustainable development of the EU. In this respect, the Union must implement measures within this policy domain, to provide incentives and support for the action of Member States with a view to promoting the integration of third country nationals residing in their countries.

The successful integration of immigrants is thus both a matter of social cohesion and a pre-requisite for economic efficiency. Third country nationals already living in the EU total 14,3 million people, with an estimated yearly inflow of 1,5 million persons.

EU financial intervention should aim at complementing and support the actions of Member States and aiming at coordination in an area where issues are transnational by nature:
Involving at least 5 % of legally resident third country nationals (10 % through indirect im-

pacts) into programmes and actions such as access to services, self-empowerment in social life, creation of networks, exchange of best practices between operators. Also, a specific target as regards integration would be to provide specific integration services to 20 % of newly arrived third country nationals (orientation courses, language courses).
Developing a common instrument for the return of illegally resident third country nationals or persons irregularly migrating towards the EU would be the necessary complement for a policy fostering sustainable migration.

(ii) Justice/security

- Ensuring **security** through preventing and fighting crime and terrorism will remain a key challenge for the Union. Priorities will include: action to develop and reinforce Europol, and the European Police College to strengthen cooperation and exchange between the practitioners concerned; and a stronger focus on crime prevention activities, notably emerging forms and means of serious and organised criminality, to address the need for security as a prerequisite for the administrative, social and economic sustainability of European societies. Example of actions at EU level are:

– Achieving 10 % of senior police officials with the training provided by the European Police College, and indirectly affecting 60 % of police officials in the EU through the diffusion of common training modules.

– Increase in the volume of exchanges of relevant information between national law enforcement authorities and Europol by 75 % in 2013.

- An **effective area of justice** is the natural complement to effective freedom of movement by providing legal certainty to back up cross-border transactions, and dealing with cross-border legal difficulties involving personal and family situations. Action is needed to ensure access to effective justice and close judicial cooperation as well as common approaches against crime by denying 'safe havens' for criminals.

  Eurojust will be further strengthened in order to reinforce the coordination and cooperation between investigators and prosecutors dealing with serious cross-border crime.

2. Access to basic goods and services

Europeans also expect access to the levels of goods and services of general interest associated with the European economic and social model:

- The protection of citizens against risks as diverse as natural disasters, health and environmental crises is one area where the Union can provide added value where individual action by a Member State cannot provide an effective response to risks that have transnational consequences or where the scale of the crisis concerned calls for European solidarity:

– Developing this strand means reinforcing safety and security standards to achieve clean energy and transport systems, as well as applying environmental standards to ensure that the basic natural amenities (air, water, soil) are free from substances hazardous to health.

– Citizens look to the EU for protection against large-scale disasters. Over the medium term the EU will be increasingly be called upon to enhance its response capability in the event of disasters that overwhelm national capacities, and maximise the effectiveness of the resources available across the EU.

– As consumers, citizens depend on suppliers and on public authorities to ensure that the goods and services they are offered are safe. Better information and clear messages are required so that citizens can make properly informed choices about their purchases and lifestyles. The Union must commit itself to ensure, together with national authorities, the safety of goods. This is particularly important for the safety, quality and nutritional value of its food supply as well as guarantees regarding the way it is produced, and the appropriateness of the information which is conveyed to citizens about the food they buy, or eat.

– But health also generates wealth. Improving health drives progress, empowers individuals through a longer, better and more productive life, and is a precondition for economic prosperity. As individuals, people expect to receive authoritative information and advice about their basic health choices. The Union can serve to help national authorities empower individuals to improve their health, and facilitate cross-border access for patients to health services. In a modern world with frequent, global transport and trade, health crises expand quickly across borders, calling for joint EU-action.

- Furthermore, in the European model of society citizens expect access to an **adequate level of basic services of general interest**, such as health and education, energy supplies, transport, telecommunications or postal services. This may require a common framework designed to give Member States guarantees to help make the relevant policy choices.

3. Making citizenship work: fostering European culture and diversity

The EU is about to undergo the most significant enlargement in its history. Immigration has already increased the Union's cultural diversity and demographic trends mean that this will continue. The future Union will therefore be characterised by immense social and cultural diversity. Mutual knowledge and understanding between its citizens becomes essential. European citizens need to know and be able to experience what they have in common.
The framework for dialogue and exchange between citizens of the Member States, to promote mutual understanding and a shared European identity, and actions to promote European citizenship is designed to complement Member States actions and promote cultural diversity in a Union of 25 and more Member States and many minorities.
It involves supporting European cultural co-operation, helping overcome the obstacles to cross-border exchanges and structures in the European audiovisual industry and fostering youth exchanges, voluntary service and informal learning as well as language learning and training for language-based professionals.
It is above all through the involvement of young people that the Europe will assure its future.
Other examples are:

– The obstacles to cultural co-operation at EU level – for example through the circulation of works of art or artists, the setting up of networks of museums, opera houses or other cultural institutions –stem from fragmentationbetween Member States.

– The situation is similar as far as the circulation of European films and television programmes is concerned: due to linguistic, cultural and social specificities, the European audiovisual industry is still largely structured on a national basis and relies mainly on national markets.

One could aim at the following goals:

A substantial increase in the number of citizens' initiatives for intercultural dialogue and exchange and in the number of trans-national co-operation projects, with 1.500 cultural institutions networking and reaching millions of citizens each year;
Increase the rate of European films distributed outside their country of origin from the current 11% of the market to 20% in 2013, double the number of cinemas programming European films by 2010 and training 35,000 audiovisual professionals by 2013;
Implement 40.000 projects with young people (e.g. youth exchanges) and 5.000 projects (training, information and exchange of good practices) for youth workers over the programme period, and increase participation in the European Voluntary Service to 10.000 volunteers per annum.

The result will be a major contribution to the realisation of the EU's goal of reaching unity in diversity.
In the light of the above, here is a financial illustration for section 4:

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013
3. Citizenship, freedom, security and justice	1.381	1.630	2.015	2.330	2.645	2.970	3.295	3.620

C. The EU as a global partner

With more than 450 million inhabitants and a quarter of world output, the Union of 25 – and soon 27 - members should wield considerable influence over the long-term political and economic choices determining prosperity and stability in Europe and the wider world, which in their turn influence the well-being and security of Europeans.
There is, however, a gap between its economic weight and its political clout. The Union is not a State, but coherent external relations can increase its influence far beyond what Member States can achieve separately or even along parallel lines of action.
The Union has developed a broad, though incomplete, spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).
EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments – bearing in mind their specific institutional and operational characters – and for developing gradually a set of common actions based on common positions in the broader sphere of political relations, including security.
Enlargement will entrust EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. By that means, the EU will achieve genuine consistency between its domestic and its external agendas contributing thereby to global security and prosperity.

1. EU and its neighbourhood policy

The EU's role as a regional leader is critical not only for itself and its neighbourhood, but also as a stepping stone for its contribution to sustainability and stability at the world scale. Building on the successful features of previous enlargements, the expanded EU will stabilise its wider neighbourhood and support its development through narrow cooperation and through a level of integration as high as appropriate to the needs and possibilities of the candidate and pre-candidate countries and their immediate neighbours. Liberalising trade and investment, promoting a suitable degree of regulatory convergence, connecting its transport, energy and communication networks with them will support their own internal development strategies which remain the key to success. Enhanced cooperation in education and training, which is already a success of EU's neighbourhood policy, will be essential to support this integration. Jointly agreed policies on immigration will rest on the one hand, upon jobs creation in the emigration countries, and, on the other, upon integration of legal migrants in the widened EU. In other words, this stability circle means a common space, a community of "everything but the institutions".
Environmental and nuclear safety and energy security are also major issues for the EU in its dealings with its neighbours. Illegal immigration, organised crime, trafficking of various kinds, terrorism and communicable diseases are also serious threats which call for concerted action with these countries. Expanding the four freedoms of the Single Market throughout the area while stepping up security requires a high degree of cooperation and integration.
Beyond the specific interests uniting those Member States which share a border with the EU's neighbours to the North and South, the EU has a collective interest in consolidating democracy and the rule of law and in vigorously encouraging economic reforms and integration throughout the area formed by the EU with Russia and its neighbours, the Balkans and the Mediterranean through to the Persian Gulf. Extending the benefits of intensive and balanced trade with a 25-member EU to the whole of this area by integrating these countries into an area founded on common values and a larger market structured by interconnected networks and common rules and standards is an enormous challenge. The growing gaps in income and differing historical experiences have created a considerable divide between the EU and its neighbours, a divide that must be bridged by joint efforts over a long period.
Its partners to the East and the South can no longer put off the political and economic reforms on which depend the industrialisation/reindustrialisation and development of services needed to create the millions of jobs necessary to improve living standards and address the frustrations of young people. Keeping the Copenhagen criteria in mind as reference, the conditions attached to EU co-operation and assistance and the loyalty shown by the Member States to the EU in bilateral dealings with these countries are important in getting things moving in the right direction.
In its neighbourhood and beyond, the EU cannot, however, confine itself to the economic and political spheres; it also increasingly needs to be able to guarantee stability, prevent conflicts and manage crises on its own doorstep, if as a last resort by using force under a UN mandate.

2. The EU as sustainable development partner

The main contribution that the EU, at this point in its integration, can now make to world security is to work actively for sustainable development through global governance and through its bilateral relations.
As a global economic player, the EU can make global governance more effective in generalising sustainable development across the planet through a combination of international cooperation and good domestic policies. The cooperation with developing countries will focus on the eradication of poverty, and – consistent with commitments taken at the multilaterial level – the EU can and should make a strong and coherent contribution to progress towards reaching the Millennium Development Goals, set at the 2000 United Nations General Assembly. A common development policy focused on the fight against poverty would provide the appropriate framework.

The widened EU, already a leading trade power, the biggest aid donor globally, and an active partner in the negotiation of multilateral norms, will see its role considerably upgraded and its influence further enhanced in the three pillars of the economic governance system – trade, finance and norms setting – when it ensures everywhere a single external representation.
By promoting common positions agreed by qualified majority, it will secure a sense of direction in multilateral negotiations, and will instil a well-needed coherence in the governance system.
But the cohesion of the widened Europe and the consistency of its action in global economic affairs will eventually rest upon a strong consensus inside the EU on a European development model, compatible with open and competitive markets.
The leverage of EU financial assistance and of trade bilateral preferences would be considerably increased by such a unified presence in the organs of multilateral economic governance such as World Bank, IMF and UN economic agencies: in particular, the value for each euro spent in this new context, would rise substantially.

3. The EU as a global player

The Union should play its full role in global political governance in support of effective multilateralism. It should also contribute to strategic security as defined in the European Security Strategy endorsed by the European Council in December 2003. This concerns protection against threats as well as ensuring civilian security and the protection of populations inside and outside Europe.
Strategic security: In the face of fundamental threats - terrorism, the proliferation of weapons of mass destruction and the failed states, internal and regional conflict - the EU has to operate in its region, at the level of the international order and at the level of frontline action beyond its borders (for instance through crisis management operations). These operations call for appropriate combinations of civil and military means.
Civilian security: in today's world, characterised by openness and instability, civilian populations are increasingly exposed to risks such as conflicts, national disasters, and pandemics. The EU, as a continent without frontiers, lends itself to the consequences of such risks and threats. Consistent with its role as a leading partner in the promotion of sustainable development, human values and global governance, the Union must also take appropriate external action, and effectively support international efforts, which affect not only the physical security of civilian populations and their potential for development, but also overall security and stability.
To raise the EU's capacities in this regard, further efforts must be made to increase available resources and to pool them more effectively. In order to strengthen military capabilities, there is a need for increased security-related research and reinforced civilian crisis management, diplomatic and intelligence capabilities.

The added value of EU assistance

The comparative advantage of an EU approach to external action crises is well illustrated by the cases of the Western Balkans, Afghanistan and East Timor.

In the W. Balkans, EU assistance helped to underpin the proximity policy that is the Stabilisation and Association Process. Both because of the size of the funds given to the region and the nature of the assistance, directed largely towards democratic stabilisation measures (refugee return, institutional building, Human Rights and Rule of Law), the EU achieved an impact which it is unlikely that the combined action of the individual Member States' bilateral programmes could have achieved.

Community assistance for Afghanistan demonstrates a level of coherence which could not be achieved even through optimal coordination of individual national programme. In 2001, the Community made one single significant pledge for 5 years. The conditions for this long term commitment have been comprehensively laid down in a Country Strategy Paper and an annual review provides flexibility to adapt the assistance given to the situation on the ground.

The Community effort in East Timor has contributed, in concrete terms, to the emergence of the country through the challenging first years of independence.

4. The policy mix

Moving towards a common co-operation and assistance policy also requires an improved **policy mix** to improve coherence in bilateral relations or in international institutions devising for each partner country, region or institution the appropriate policy mix according to our priorities, to partners' needs or to global challenges, and to translate it into the most efficient mix of instruments.
For neighbouring countries the policy mix will mainly focus on sharing stability and prosperity and take account of the important impact of EU internal policies. For other countries, the policy mix will depend inter alia on an assessment of the interest of the Union and of our partners, and of the geopolitical situation.
Setting up a single policy framework and a unique programming per partner country and per thematic policy, leading to co-ordinated and co-financed implementation, should pave the way for effective complementary actions between the Union and Member States: a common development policy would provide the appropriate framework.
In the light of the above, here is a financial illustration for section 5:

COMMITMENT APPROPRIATIONS	2006 (a)	2007	2008	2009	2010	2011	2012	2013
4. The EU as a global partner	11.232	11.400	12.175	12.945	13.720	14.495	15.115	15.740

II. MATCHING RESOURCES TO OBJECTIVES

Sound financial planning means matching resources to needs. As financial resources are limited, financial decisions are essentially about choices to be made and priorities to be fixed.
This communication has sought to explain how the Union's goals can be realised. It has laid out a political project based on the key concept of sustainable development: nurturing the Union's natural resources, building competitiveness and solidarity, making Europeans across the Union safer and more prosperous.
Turning our priorities into action and statements into deeds needs action at both national and Union level. Neither is equipped to provide all the answers. But if the Union is to make its contribution, it needs an adequate budget.
At a time of intense pressure on public finance at the national level, the demand that the Union applies rigour and restraint to its funding is fully justified. But it is an illusion to believe that cutting spending at EU level guarantees value for money: each euro of expenditure from the Union budget can lever in several euros at national level, as cohesion policy has already shown (see section A.2).

The evolution of the Community budget in recent years shows that the Union has reined in expenditure. But the gap between the demands on the Union and the resources at its disposal has grown too wide. To saddle the Union with a set of goals and then deny it the resources required would be to condemn it to the justified criticism of citizens denied their legitimate expectations.

1. The legacy of existing commitments

In 2006, the commitment appropriations ceiling of the current financial perspective for a 25-member Union will account for 1.11% of the EU's gross national income (GNI). Commitments under the 9th EDF would add on average another 0.03 % of GNI.
The evolution of expenditure for the period 2007-2013 is already partly determined by some decisions and the premises of the exercise:

- The European Council agreed the spending for market related and direct payments in agriculture until 2013.
- Cohesion policies in the ten new Member States, whose level of prosperity is significantly lower than in the EU-15, will require increased expenditure.
- Accommodating two additional new Member States with large agricultural activity and significantly lower income per head will clearly add to expenditure requirements on the basis of the *acquis*.
- Many EU policies – such as the internal market, competition policy, customs, statistics, transport, nuclear safety, audiovisual, youth, culture and information policy – have resource consequences which flow directly from the Treaties and from EU law.

It should also be noted that another relevant change would be the “budgetisation” of the EDF to enhance the consistency and effectiveness of the Union’s development policy.
These commitments cannot be ignored. Nor can we overlook the pressing need to inject some financial support to bolster competitiveness for growth and employment, to develop the area of citizenship, freedom, security and justice, or to make the EU an effective global partner.
A ceiling around 1% of GNI, would fail to meet the European Council commitments on agricultural payments, would undermine the phasing-in of cohesion policy in the 10 new Member States, and would jeopardise the existing levels in other policies, let alone to implement the new priorities. Under such a scenario, the EU would have to:

- reduce its efforts in terms of external aid,
- reduce support for rural development, one of the key objectives of CAP reform,
- renege on international commitments and pledges
- drastically decrease cohesion support in the current Member States in the face of major problems of lagging development, unemployment and social exclusion
- retreat from commitments it has already made, its new neighbourhood policy or justice and security tasks, and jeopardise further enlargement.

Alternatively, cuts would be needed across the board, and existing agreements would have to be re-opened, including the amounts decided at the Brussels European Council of October 2002, and in particular the re-orientation of the CAP towards rural development.
In brief, the message would be that the Union has given up on these tasks.

2. The new financial requirements

The significance of the challenges identified above would require a very substantial increase of financing capabilities at EU level. But sticking to the existing ceilings, they can be accommodated by a combination of shifts in the balance between different spending priorities, careful costing, and only limited increases in the current size of the budget. A credible plan to meet the Union's needs can be drawn up within the current budgetary disciplines, represented by the own resources ceiling of 1.24% of GNI.
This framework would allow:

- A complete phasing-in of new Member States for agriculture, fisheries and management of other environmental resources and the implementation of CAP and CFP reform;
- A boost to competitiveness for growth and employment, covering research, education and training, and EU networks;
- The resources required to meet solidarity commitments and focus further on growth and employment post-enlargement;
- Fresh action in the area of citizenship, freedom, security and justice;
- The EU to become an effective neighbour and a stronger global partner in support of the Millennium development goals.

The result would respect a ceiling of 1.24% of GNI, but a rebalancing of the budget would allow space for the new priorities. A significant proportion of EU resources would focus on objectives such as competitiveness for growth and employment (16%) and Europe as a global partner (7%).
The capping of financial transfer at 4 % for cohesion policy will be maintained, with amounts transferred to the new rural development and fishery instruments still included in the calculation.
The European Development Fund would be integrated into the EU budget. At present it accounts for 0.03% of GNI.
In order to optimise the use of expenditure and develop more effective delivery mechanisms, the resources would therefore be phased in over the period, as is normally the case.[2]
This threshold is a compromise between needs and budgetary stability. It falls short of fully meeting repeatedly stated needs and the capacity of the Union to contribute to these needs. Public investment in research in Member States is planned to increase up to 0.88% of GDP by 2010, below the 1% agreed target for the public spending share of the 3% target. The gap of 0.12%, to be borne by the Union budget, is only partly covered under the present scenario. Similarly, the EU could contribute more to the 600 billion Euros necessary to build the Trans-European Networks, or extend the educational mobility programmes to a wider share of the student and academic population. The Union could well take a share of the commitments made by Member States at Monterrey. Finally an order of magnitude of 3 billion Euros for research on security could be envisaged. In all these areas, Union action could offer real benefits

[2] Commitment appropriations would average 1.22% over the period. Payments would average 1.14% (including EDF).

and lighten the load for national budgets: an alternative framework of 1.30% would have allowed the Union to better respond to those needs and still be moderate.
The following table provides an illustration of the framework described above.

Insert table

III. ENSURING THE OBJECTIVES ARE MET: INSTRUMENTS AND GOVERNANCE

The success of policies relies on the efficiency of delivery instruments and, more broadly, in the appropriate system of economic governance. This involves an adequate apportionment of tasks between the Union and Member States, adequate focus and consistency of shared objectives, consensus and partnership between the actors involved, and reviewing the delivery instruments for consistency and simplicity.
To this end, the guiding principles are:

– **Concentrating the Community resources** on few major initiatives: higher financial transparency, scope for improved quality and effectiveness of expenditure, possibility to better assess Community value added.

– **Consistency between different strategic goals, targets and instruments.**

– **Partnership** with all actors involved, above all between the Union and the Member States concerned.

To maximise performance, not only there is a need for strengthened cooperation and partnership, but also for **simplified instruments, replacing the existing** variety of complex decision-making powers and policy instruments, ranging from local and regional to national and EU levels.
In the light of the above, there are two main building blocks:

- a roadmap

- A simplification of the instruments of expenditure management.

A. A roadmap

A roadmap should bring together goals, objectives, instruments and indicators, as well as a stringent timetable to assess whether agreed benchmarks have been reached and be oriented towards the ultimate aim of sustainable development based on harmonious interaction between growth, cohesion and environment.
As explained above, **strategic goals** (e.g. strengthening European effort in research and technological development), are articulated through few **specific objectives** (e.g .the establishment of grant scheme for individual research teams) and, where appropriate, further detailed **actions** (e.g. specific projects on nanotechnology).
The **instruments** of implementation (legislation, coordination, expenditure) should be defined together with **progress indicators** and sufficient **incentives** to secure the positive outcome.
Concerning the sustainable development strategic goals, as established in the Lisbon process, it is clear that they are to be pursued through actions both at Member States and at the Union level.
Therefore, the roadmap should be a shared programme involving actions and funding at national and Union level. A process should be launched – in partnership with Member States – to complement the suggested priorities and objectives with a detailed action plan and timetable on the use of the policy instru-

ments and with a mechanism for effective monitoring of the implementation phase. The suggested process should be capable of ensuring the full commitment of all concerned parties to the achievement of the agreed goals. It could act as a basis for the preparation of the mid-term review of the Lisbon strategy.
The performance of the Union and its Member States is at present assessed annually in the context of the Spring European Council cycle. To allow the European Council to provide guidance, the Commission has already reunified its sectoral contributions into a single document (the Synthesis Spring Report) and streamlined the process leading to Broad Economic Policy Guidelines and Employment Guidelines.
This exercise could be further improved and made more effective along the following lines:

- defining a better and more visible interaction between actions and budgetary means implemented at Member States level and at Union level,

- assessing against this background:

  – the contribution Member States budgets and the EU budget can make to the achievement of the policy objectives and recommendations set in the Broad Economic Policy Guidelines and Employment Guidelines and the broader Lisbon strategy in general,

  – the performance of action at Union level in order to activate/orientate use of the Growth Adjustment Fund (see below, point IV.C). This would allow the Union to adjust priorities/to respond to new needs and to back them up by budgetary resources.

This approach will also give a concrete contribution to the system of economic governance of the Union, taking fully into considerations the impact of actions needed to reach shared objectives. It will provide for a greater consistency of cohesion policy with the Broad Economic Policy Guidelines and the Employment Guidelines, thus better integrating it into the European agenda for sustainable growth.

B. Simplifying instruments to improve delivery

The instruments available to the Union to further its policy goals include regulation, coordination and budgetary support. The relative share of Union and Member States' expenditure is not the same in each policy area. It represents the large majority of financial support granted to a sector (e.g. Agriculture) or a significant share of resources allocated to a certain objective (e.g. cohesion in lagging regions). In other fields, European Union expenditure are usually of more limited size by comparison to the resources provided by Member States: in such cases the role is rather one of acting as a catalyst.
Depending on the different role of expenditure amongst the other instruments supporting the policy in question, different arrangements can be envisaged in terms of mechanisms for selecting the actions to be financed, allocation of resources, budgetary instruments and project management.
There are, however, three considerations applicable across the board for the design and implementation of Union expenditure programmes:
– The choice of budgetary instruments must reflect the criteria of simplicity and consistency. There is a need to simplify, as far as possible, the budget structure, avoid duplication of in-

struments and provide beneficiaries and partner managing authorities with a 'one-stop-shop';
– While keeping the political duty to define the strategic objectives and the frameworks of expenditure programmes, the Commission will limit the number of cases where it retains direct responsibility for their implementation and management;
– Proportionality must be maintained between the amount of resources and the administrative burden related to their use.

In the light of the above, the Commission will apply the following principles:

- **One instrument per policy area, one fund per programme**. EU funding instruments will as far as possible be consolidated and rationalised so that **each policy area** responsible for operational expenditure has a **single funding instrument** covering the full range of its interventions. Small budget lines will be consolidated into sections of the single funding instrument, even if an instrument needs more than one legal base.
- **The Commission will consider alternatives to in-house direct management**. A case-by-case assessment of policy- and cost-effectiveness should determine which actions should be (a) managed directly by traditional core departments; (b) managed through offices or executive agencies[3], both under the Commission's control; (c) out-sourced to "classical" agencies at EU level, functionally independent from the Commission; or (d) managed in a decentralised way in partnership with Member States and/or regions.

The Commission has identified an overall approach on administrative governance, which will lead to streamlining and the selection of the most suitable and cost-effective delivery mechanism. The full implementation of this approach, which is summarised in Annex 1, offers the potential for benefits in terms of improved performance and greater efficiency, as well as a more consistent approach to the successful achievement of tasks of an executive nature.

The Commission will make detailed proposals for simplification in the following months on the basis of the above principles. Some examples can be highlighted already for internal and external policies:

(i) Internal policies

- The next generation of cohesion policy programmes should be organised in such a way that each individual programme would be financed by a single fund, the ERDF or the ESF. In the Member States covered by the Cohesion Fund, simplification and consistency would be enhanced by programming the interventions in the same framework as those supported by the ERDF.

- All rural development measures will be regrouped for all regions (including the less developed Member States and regions) under a single funding, programming, financial management and control system, with the same degree of concentration as at present on those regions covered by convergence programmes.

[3] Council Regulation (EC) No. 58/2003 of 19 December 2002 OJ L 11, 16.1.2003, page 1.

- A new financial instrument for the environment would replace current environmental funding programmes.

(ii) In the area of external relations, a simplified architecture will be proposed, based on 6 instruments, replacing more than 100 different instruments to-day.

- Two new instruments (which could be merged at a later stage) will cover two fundamental functions: economic cooperation and development on the one hand, peace and security on the other hand. This should replace the existing plethora of geographic or thematically-based instruments and include the integration of the European Development Fund into the EU budget.

- A specific instrument for humanitarian aid should be maintained.

- A new (unified) pre-accession instrument to replace PHARE, ISPA, and SAPARD[4] will be introduced.

- A separate new neighbourhood instrument is needed aiming at cross-border co-operation between the enlarged Union and neighbouring countries.

- Macro-financial assistance would remain unchanged.

Creating a New Neighbourhood Instrument

It is in the interest of the whole EU to avoid the emergence of new dividing lines on and around its external borders and to promote stability and prosperity within and beyond these external borders. A joined and united effort by EU is vital to achieve this ambitious objective. Member States are not well equipped to address this challenge on individual basis. The NNI proposed by the Commission will focus in particular on promoting sustainable economic and social development of these border regions, ensuring the smooth functioning and secure management of the future external borders, addressing common challenges facing the EU and its neighbours like environment, public health, and the prevention of and fight against organised crime, and pursuing people to people co-operation between the EU Member States and their neighbours.
The cross-border component of the New Neighbourhood Instrument would be implemented as simply as possible through a single legal instrument, building on the principles of existing European cross-border programmes – partnership, multi-annual programming and co-financing.

IV. THE NEW FINANCIAL FRAMEWORK (2007-2013)

A. Covering an adequate period

The period covered by the new financial framework must be long enough to provide a coherent coverage, within reasonable budget limits, for the complete phasing in of reformed Community policies and for the successful integration of twelve new Member States.
The Commission as well as the EP have a five year term. Future financial frameworks should become more consistent with this institutional rhythm. Each Commission would participate in the finalization of a financial framework part of which it then has to implement. Based on this experience, it would also be

[4] In this context, the requirements of the Community policies which the acceding countries have to implement will be taken into account.

responsible for laying the ground for the following financial framework. The Parliament would authorise and follow up implementation of annual budgets under the financial framework it agreed upon.
However, the Commission proposes transitionally a seven-year period extending from 2007 to 2013 before moving to a normal five-year cycle. This would be necessary since the evolution of market-related expenditure and direct payments in agriculture (EU-25) has been set until 2013 and the current implementation of structural funds as well as some adjustments on the side of all institutions will take time to implement.

B. Classification of expenditure and development of expenditure

The current classification of expenditure in the financial perspective is to a large extent the legacy of the establishment of the first financial perspective and its successors. The current financial perspective is structured in 8 expenditure headings, which become 11 when taking sub-headings into account. Ring-fencing of resources in a large number of headings and sub-headings makes the system rigid and prevents proper adjustment and a more effective use of resources to achieve the Union's policy goals.
The (legitimate however) objective of budgetary discipline overshadows the ultimate goal to have budgetary means at the service of a political/economic objective.
A more limited number of budgetary headings not only reflect the broad policy goals, but also provide a necessary room for manoeuvre for developments that cannot always be precisely predicted ten years in advance. For the new financial framework, the Commission proposes five main expenditure headings:

(1) A first heading aimed at enhancing competitiveness and cohesion for sustainable growth with two sub-headings:

1a. *Competitiveness for growth and employment*. This sub-heading encompasses expenditure for research and innovation; education and training; security and environmental sustainability of EU networks; support for an integrated single market and the accompanying policies; implementation of the social policy agenda.
1b. *Cohesion for growth and employment* with expenditure to enhance convergence of the least developed Member States and regions, complement the EU strategy for sustainable development outside the less prosperous regions, and support inter-regional cooperation.

(2) *Sustainable management and protection of natural resources*. In addition to the expenditure related to the Common Agricultural and Common Fisheries policies[5], it will also cover expenditure related to the environment.

(3) *Citizenship, freedom, security and justice* including actions in the areas of freedom, justice and home affairs, and citizenship[6].

(4) European Union as a global partner[7].

[5] EAGGF-Guidance and FIFG funds currently included under the structural funds are transferred to this heading. However, the corresponding amounts transferred will continue to enter in the calculation of the 4% 'capping' for structural and cohesion funds for the new Member States
[6] It also includes border protection and asylum policy, civic empowerment, institution building, access to public goods, food safety, public health and consumer protection, culture and the audio-visual sector, youth, information and dialogue with citizens.
[7] This heading includes all external actions, including pre-accession instruments, neighbourhood policy, poverty reduction, civil crisis prevention and management. It will also include the current reserves for *emergency aid* and *loan guarantee* [and the European Development Fund once it is integrated into the EU budget]

(5) Commission administrative expenditure will be linked directly to operational expenditure, following the logic of activity based management, which is already the basis for the establishment of the annual budget, and therefore included in the appropriations of each of the previous four headings. A residual *Administration* heading will remain to include expenditure for institutions other than the Commission, pensions and European schools.

Consistency and transparency call for the integration of the Solidarity Fund in the financial framework. This will be done by adding the Solidarity Fund and associated resources to the 'cohesion' (1b) heading. As in the case of the emergency aid and loan guarantee reserves, to be integrated under the heading *European Union as a global partner*, the new classification would not prejudge the corresponding budgetary procedures or the specific management methods. Funds would be mobilised only when required.

C. Flexibility

Over a period extending ten years from now till 2013, there should be a possibility to adjust the priority setting defined by the road map within certain limits.

- The procedure to revise expenditure ceilings should remain the main instrument to allow adjustments to the financial framework when substantial and lasting changes in political priorities occur. However, over the last decade the recourse to revisions has proven almost impossible. This has contributed to the creation of various ad-hoc instruments and arrangements over the years to meet new priorities or urgent demands. The Commission proposes an assessment of needs, e.g. in the form of a *trilogue* between Parliament, Council and the Commission ahead of the presentation of each preliminary draft budget.

- The annual budgetary procedure should allow for sufficient flexibility within the agreed financial framework to enable the Commission and the budgetary authority to react quickly to short-term emergency crises or to unexpected political or economic events. For the new financial framework the Commission proposes a combination of existing instruments with a new *reallocation flexibility* to replace the existing 'flexibility instrument'. This would allow the budgetary authority to re-allocate appropriations within certain limits between expenditure headings, with the exception of cohesion and rural development appropriations for multi-annual programmes. These, of necessity, must be pre-allocated between Member States at the beginning of the period.

- Furthermore, the Commission proposes to increase the responsiveness of expenditure to changed circumstances by creating a *growth adjustment fund* within the 'sustainable growth' expenditure heading (1a) to optimise the delivery of the growth and cohesion objectives identified in the roadmap for sustainable development, accommodate the necessary flexibility to take account of the uneven progress in the roadmap towards these objectives and implementing the necessary adjustments to cope with unforeseen events having significant or harder than foreseen impact on growth and employment. It will also enable the Union to react to crises stemming from international economic and trade developments. Following the annual assessment of progress delivery of the roadmap made in the Spring Council, it will be used to address the gaps in the delivery of the roadmap objectives by topping-up expenditure programmes in the competitiveness or cohesion sub-headings, pushing for investment and public support on key projects.

  Up to €1 billion per year will be available within the competitiveness for growth and employment heading. In addition, it is proposed to make use of committed but unused funds from the two cohesion instruments (ERDF and ESF) in application of the 'N+2 rule' up to a maximum of 1 billion euros per year, to be added to the *growth adjustment fund*.

V. THE FINANCING SYSTEM

Though the Commission will prepare appropriate specific proposals on own resources in the Own Resources Report[8] that will submit to the Council by summer 2004, attention is drawn to two elements of the current own resources system.

A. Own resources structure

The present own resources system has been criticised for insufficient transparency for EU citizens, and limited financial autonomy, as well as for its complexity and opacity.
However, the current financing system performs relatively well from a financial point of view, as it has ensured a smooth financing and kept the administrative costs of the system quite low.
One way to overcome the shortcomings of the present system is to strengthen the tax based resource in the financing of the EU budget. A relatively major and visible tax resource payable by EU citizens and/or economic operators could partly replace GNI contributions. That would shift the Union's own resources system from a financing system predominantly based on national contributions towards a financing system which would better reflect a Union of Member States and the people of Europe.
In light of the degree of tax harmonisation in the EU, three main candidates could at present be envisaged: 1) a tax on corporate income; 2) a genuine VAT resource; 3) an energy tax. In each case, the tax burden for citizens need not increase as the EU tax rate could be offset by an equivalent decrease of the rate accruing to the national budget in the same tax, or of the rates of other taxes. This would be possible because tax-based resources would partially replace, rather than add to, the payments currently made available by Member States on the basis of their respective GNI. Since GNI payments would decrease Member States would be able to reduce other sources of revenue by the same amount without jeopardising budgetary stability.
The Commission does not intend to propose a new own resource for the near future. It will present its analysis and conclusions in the own resources report, which it will adopt before summer 2004. Subject to the conclusions of this report, a process could be launched to create the basis for a new own resource to replace an important part of national contributions in the medium term.

B. Correction of budgetary imbalances

The European Union is a community of solidarity with parts of the budget serving a clear solidarity goal and the allocation of other parts of the budget responding to the specific goals of the relevant spending programmes. There will always be net beneficiaries of and net contributors to the EU budget, although the policy benefits accrue to the Union as a whole.
It is recognised, however, that certain imbalances may give rise to concerns. A correction of excessive imbalance may therefore appear necessary, provided it is strictly limited.
A correction mechanism should be geared to correcting excessive negative net balances and aim at a fair treatment of Member States which have a similar capacity to contribute to the EU budget. Since the mid-1980s a correction has existed for one Member state only, and is financed by all other Member States. Since 2002 the financing share of four Member States in this compensation has been reduced to 25% of their normal share. The Commission proposes to introduce a generalized correction mechanism, which will both correct a budgetary burden which is excessive in relation to its relative prosperity (as laid down in the Conclusions of the 1984 Fontainebleau European Council) and prevent the volume of the mechanism from becoming excessive.

[8] as laid down in the Own Resources Decision

As a further result of enlargement, the size of the existing correction for one Member State will rise substantially, raise the financing cost to the other Member States accordingly and therefore tend to overshoot its objective of correcting a budgetary burden which is excessive in relation to its relative prosperity. Leaving the current situation unchanged would significantly increase a bias in favour of a single Member State. Merely abolishing the existing correction would neither be perceived as acceptable by all Member States, nor bring closer the net balances of Member States at comparable levels of prosperity.
A generalised correction mechanism replacing the existing one would be aimed at correcting net contributions in excess of a certain pre-defined threshold of adequate 'financial solidarity', defined as a percentage of gross national income, in line with relative prosperity. Solidarity must remain a cornerstone of the Union and therefore the effect of any modified, generalized mechanism should be limited to avoiding excessive and unjustified fiscal burdens, and all Member States should contribute to this mechanism.
A number of parameters need to be defined for such a mechanism to function properly, including categories of expenditure and revenue to be taken into account, the level of the threshold beyond which net budgetary imbalances would be (partially) compensated, percentage of the excessive negative imbalance to be corrected, and the related financing rules. All Member States should contribute to this mechanism.
The Commission will put forward detailed proposals to this effect in the context of the overall financial package, which will address both revenue and expenditure issues.

ANNEX 1

Principles for Administrative Governance: less direct management, better control of delivery and greater cost-effectiveness

One of the fundamental principles of Commission reform is that the Commission's core administration will in future focus on the development and monitoring of policies under the Treaty. The execution of these policies, as well as other executive activities at a European level, will where appropriate be delegated to other bodies.

It is essential that delegation to bodies other than the Commission's core administration is properly coordinated. Recent decisions on delegation have shown that there is a need to improve coherence and to streamline the criteria for such delegations. To this end, the Commission intends to reinforce the overall coordination when in future deciding to delegate an activity (through one of the various means which are at its disposal, cf Section III.B. of the Communication). Insofar as existing activities carried out by external/delegated entities are concerned, the Commission will follow a staged approach, by which it will bring past decisions into line with the new framework.

Different means are available:

(1) Shared management with Member States or delegation to national bodies. Experience in the agricultural and cohesion policy fields already offer valuable lessons in this respect. Two important criteria for pursuing such an approach are: a) significant local content and b) complementarity with regional and national programmes;

(2) Delegated entities, including:

a) Offices: with the reform, the Commission has introduced Administrative Offices. To date, Offices have been used for executive tasks not directly connected to a programme and without a specific time-span. They present the advantage of lower operating costs and greater operational flexibility through the availability of a separate establishment plan and budget lines. Offices are under the direct control of the Commission.

b) Agencies: currently a variety of bodies are included in this category, whose functions vary from providing assistance in the form of opinion and recommendations (e.g. European Food Safety Authority), through providing inspection reports (e.g. European Maritime Safety Agency), to adopting decisions which are legally binding on third parties (e.g. Office for Harmonisation in the Internal Market). The Commission is generally represented in these agencies together with Member States and, where appropriate, representatives of interested third parties. The Commission has limited involvement in these agencies, although it is fully responsible for the result. Executive agencies are instead bodies, under the direct control of the Commission, whose statute is provided for by a Council regulation[9].

[9] Council Regulation(EC) No. 58/2003 of 19 December 2002, O.J. L 11, 16.1.2003, p.1.

All this should be reassessed around three strands:

(1) The running of tasks ensuing from programmes of an executive nature, with a specific duration in time, could be delegated to executive agencies. The Commission will retain control of the delivery mechanism.

(2) A more autonomous agency – matching existing models - can be considered when non-binding advice is expected or when the tasks attributed to the agency involve actions falling outside the Commission's direct responsibility or where the Commission's role appears marginal. Some existing agencies carry out tasks with only very limited involvement by the Commission, even thought the Commission is fully responsible for the result. This situation therefore needs urgent revision.

(3) An Office will be considered for new executive tasks with no specific timespan, or for preparatory activities on the basis of which the Commission can take regulatory decisions for which it is responsible.

(4) Some existing agencies carry out similar tasks with only very limited involvement by the Commission, even though the Commission is fully responsible for the result. This situation needs therefore urgent revision.

ANNEX 2

ROADMAP - An Example

	IMPROVE THE QUALITY OF EDUCATION AND TRAINING IN THE UNION		
	Objectives	**Main actions and instruments**	**Progress indicators and targets**
1	Increasing quality of education and training provided in Europe	**EU Coordination**: European Areas of Higher Education and of Vocational Training: *"Objectives" process working groups*; *Bologna and Copenhagen processes*; World-wide benchmarking of education and training systems. **EU Expenditure**: Support for trans-national partnerships of institutions; exchanges of good practice; collection and analysis of statistics and indicators: *Single instrument for education and training (successor to Socrates/Leonardo programmes).*	Number of partnerships; progress against agreed benchmarks and indicators; implementation of quality assurance frameworks for higher education and vocational education and training.
2	Improving access to education and training at all stages of life	**EU Legislation**: *Europass* Decision. Follow-up to Mobility Recommendation. **EU Expenditure**: Single instrument for education and training (successor to *Socrates/Leonardo* programmes).	Number of young people and adults in mobility; rate of adoption of credit transfer systems in education and vocational education and training; rate of adoption of transparency instruments (Diploma Supplement, Europass, etc) **Targets**: 10% of school pupils and teachers in mobility and European cooperation activities 2007-13; 3 million university student placements by 2010; 150,000 vocational training placements and 50,000 adults in learning and teaching abroad per annum by 2013.
3	Opening up EU education and training systems to the	**EU Legislation**: Directive on access for students/researchers from third countries.	Numbers of third country students, training and

	wider world	**EU Expenditure**: Erasmus Mundus; Successor to Tempus programme.	scholars coming to Europe **Targets**: over 11,000 grants for mobility of students and scholars from and to third countries 2004-08.