THE DIRECTOR GENERAL

Ms Dalia Grybauskaité
Member of the
European Commission
rue de la Loi, 200
B-1049 Brussels

Brussels, 18 November 2008

Mobilising EU financial resources to confront the crisis

Dear Commissioner,

The global financial crisis is affecting our economies with a growing intensity and calls for a heightened level of policy coordination. In anticipation of the informal EU summit held on 7 November, BUSINESSEUROPE outlined in a letter sent to Commission President Barroso and French President Sarkozy the most urgent actions that EU leaders should undertake at both European and international level to temper the crisis and facilitate a swift return of confidence.

In view of the upcoming Commission proposals for an EU recovery plan to be presented on 26 November, I would like to expand on one particular matter raised in the letter, namely the call to mobilise EU financial resources effectively. Some of the issues exposed below have already been touched upon during my intervention at the Commission's conference "Reforming the Budget, Changing Europe", on 12 November.

First of all, it is essential to find sufficient means to help countries facing severe financing difficulties. This is particularly important for new member states not yet benefiting from the shield of the euro and going through substantial exchange rate pressure.

We therefore strongly supports the proposal to increase the ceiling of the EU's medium-term financial assistance facility from € 12 billion to € 25 billion, and looks forward to its adoption at the December Council meeting. This measure has to be seen as a first important step and quick reaction to the current situation. A further increase of this ceiling should be envisaged in order to safeguard the financial viability of Member States severely affected by this crisis.

Within EU cohesion policy, the Commission proposal to accelerate investment projects and speed up payments to Member States is also welcome as it could provide significant support for low income regions and those facing more acute structural adjustments.

At the same time, a limited absorption capacity of these funds by low income regions should be acknowledged and duly accounted for. BUSINESSEUROPE calls for heightened flexibility in order to reallocate unused funds towards measures that will most effectively support growth and competitiveness and alleviate the impact of the crisis for these regions.

Infrastructure investments is an area where EU's value-added is undeniable and where sufficient funding of performing projects will support economic activity, reinforce the internal market and facilitate the rapid catching up of more isolated regions.

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
WWW.BUSINESSEUROPE.EU

A renewed financial commitment from member states and the EU is needed, focusing on a clear prioritisation of Trans-European Network projects in the area of transport, energy and telecommunication. For instance, the completion of the internal market for energy demands urgent electricity and gas grid extensions as well as new investments in infrastructure and inter-connections.

The European Investment Bank has a strong role to play in financing European infrastructures and the proposal to reinforce its capital base to enhance its capacity for action seems highly appropriate.

The EU budget can also help ease transitions on EU labour markets in times of economic hardships. In this regard, it is imperative to reorient a significant proportion of the European Social Fund resources towards supporting workers' employability and adaptability in line with flexicurity principles, whereas these objectives only account for a mere 18% of the fund at present.

A meaningful and lasting contribution to growth must be expected from the EU budget through an effective support for research and innovation. This implies additional means, but also better coordination, improved access to funds and strong participation of companies.

Better inter-connections between recent initiatives – such as lead markets, clusters and the forthcoming Knowledge and Innovation Communities (KICs) to be selected by the European Institute of Innovation and Technology (EIT) – should be developed and support mechanisms for companies to participate in such joint projects simplified.

The Competitiveness and Innovation Programme (CIP) 2007-2013 should become much more than a "complement" to the 7th Framework Programme for Research and Technological Development. The Commission should take a first step to significantly increase the CIP budget – for instance by the reallocation of unspent CAP funds – in order to respond to the growing demand for innovation and competitiveness expenditures.

In any case, cutting down administrative hurdles, speeding up payments and encouraging effective public-private partnerships across the entire spectrum of EU budget programmes will ensure maximum effects on economic activity and private investment in the difficult months ahead.

Beyond the short term, BUSINESSEUROPE asks for a more fundamental overhaul of the EU budget. While there is at present no justification to increase the EU budget significantly above 1% of EU GNI, a substantial reallocation of financial resources from the Common Agricultural Policy to programmes devoted to infrastructures, research, innovation, mobility, education and training must be decided. In this context, a further doubling of EU spending on R&D and innovation should be possible and will be needed.

BUSINESSEUROPE expects that the EU budget will be effectively mobilised in the difficult months ahead to support growth and competitiveness.

Yours sincerely,

Philippe de Buck