



## A better process for a better budget

### Bruegel Policy Brief

By Susanne Neheider\* and Indhira Santos

BRUSSELS, 28 JULY 2009 - Susanne Neheider\* and Bruegel research Fellow [Indhira Santos](#) provide a practical solution to facilitate reform of the EU budget decision-making process, overcome the detachment of EU spending from political priorities and increase focus on EU public goods.

As the negotiations for the next financial framework, which sets out the objectives and budgetary resources for the European Union, is expected to start in less than two years, the window of opportunity for reform is closing rapidly. Additional pressure arises from the need to design, by Spring 2010, a Lisbon Strategy which would better align with EU policy goals and spending. Currently, expenditures directly related to the Lisbon objectives such as transport, energy networks and research, account for less than a tenth while the Common Agricultural Pact (CAP) and Cohesion policy still represent 42% and 35% of the EU budget, respectively. For the authors now is the time for reform.

The proposal provides two main features:

- (1) The separation of public goods and redistributive expenditures in the EU budget, with the definition of the public goods decided unanimously by the Council and financed according to GNI shares.
- (2) The negotiation of net balances to determine redistributive expenditures.

Neheider and Santos believe this procedure would increase transparency thereby creating incentives to move towards more EU public goods as it would become harder to justify other expenditures. Consequently, a larger focus on EU public goods would eliminate any justification for a UK rebate, as the UK, among the richest member states, could consider a larger financing share of the EU budget for a change of a new decision-making procedure and expenditure.

### About the authors

Susanne Neheider, a German citizen, works as a Researcher at TU Berlin, department for Public Finance and Health Economics. She holds a Masters degree in Economics from Passau University and is about to finish her PhD at TU Berlin with work on the EU budget. Susanne was a Visiting PhD at Bruegel from May to August 2008. Her main research interests are public finance and public choice, public economics and European economic integration.

[Indhira Santos](#) has been a research Fellow at Bruegel since June 2007. She holds a PhD in Public Policy from the Kennedy School of Government at Harvard University with a specialisation in economic development and public economics. She was born and raised in the Dominican Republic where she studied economics as an undergraduate.

She was Chief Researcher at the Economic research center of PUCMM University and worked for the Ministry of Finance. She has also worked for the central Bank of Turkey. Indhira's research interests are development microeconomics, public economics and organisational analysis. She coordinates Bruegel's project on the EU budget.

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