FINANCIAL TIMES – 2 DICEMBRE 2010

Public investment for the public good

One consequence of the European Union's debt crisis is that governments are setting themselves formidable budget deficit reduction targets over the next three to four years. Less cash will be available for public investment projects. It follows that the EU's regional aid programmes, worth €347bn in the 2007-2013 budget cycle, will play a particularly influential role in financing investments in the 27 member-states. All the more important, then, that the expenditure should go to the right sort of projects and should be rigorously monitored. Inefficiency must be cut to a minimum, and abuses must be caught and promptly punished.

The need for such steps is demonstrated by the comprehensive investigation into the EU's structural and cohesion funds which the Financial Times and the Bureau of Investigative Journalism, a non-profit organisation, conducted for many months before publishing the results this week. The investigation underlines what the EU's own auditors have known for several years – that in terms of waste, error and fraud it is regional aid, even more than the Common Agricultural Policy, that is the area of the EU budget most open to criticism.

This is not to suggest that the EU's regional aid budget is an extravagant, fundamentally misguided waste of money. From motorways in Spain to waste water treatment systems in Hungary and industrial laser companies in Lithuania, every EU country can point to infrastructure, environmental and business projects that have benefited from the funds. In the 20 years since the EU's regional aid policy started in earnest, the funds have unquestionably served to modernise backward areas of Europe.

When properly allocated, the funds send a signal to European citizens that the EU aspires to be more than a straightforward free trade zone.

As is shown by the North American Free Trade Agreement, which groups Canada, the US and Mexico, free trade alone does not raise deprived areas to the levels of prosperity enjoyed by their neighbours. It is no accident that Brazil, China, India and Russia have studied the EU's policies to pick up ideas about how to reduce the enormous disparities in wealth among their regions.

But if solidarity is a noble principle and balanced economic development is a sensible objective, it cannot be stated too often that the priority for the EU in coming years will be to revive its dismal economic growth rate.

This is the key to overcoming the debt crisis, maintaining high living standards in an era of demographic decline, and maximising the EU's geopolitical influence across the globe.

In these difficult times it is essential to concentrate the EU's resources on goals that matter – competitiveness, research and development, energy security and the development of the single market. The structural and cohesion funds can play their part in this effort, but much tighter and more transparent procedures are needed to make sure that the money delivers the right results.

There is no better place to start than in next year's negotiations over the EU's 2014-2020 budget.