

Brussels, 12 September 2007

The Commission is starting Budget Review 2008/9

1. Why is the Commission launching the Budget Review?

In May 2006 The European Parliament, the Council and the Commission agreed that **the Commission should undertake a fundamental review of the EU budget.**

According to the Inter-Institutional Agreement on Budgetary Discipline and Sound Financial Management, the Commission was *invited "to undertake a full, wide ranging review concerning all aspects of EU spending, including CAP [Common Agriculture Policy], and of resources, including the UK rebate, to report in 2008/9".*

With the adoption of today's Consultation Paper the Commission is **launching a broad consultation** and stimulating an open, no taboos, debate on EU finances and its future. The results of the consultation will form an important basis for the Commission's work on the review.

The Commission's proposal will be presented at the end of 2008/beginning of 2009.

2. Why does the EU budget need a review?

Twenty years after the first financial framework was agreed, the European Union's institutional framework and policy agenda are in a phase of profound modernization.

A lot of changes have taken place since 1988:

- Democratic change occurred in Eastern-Central Europe and the Union grew from 12 to 27 Member States;
- The Internal market contributed to raising the living standards of EU citizens and paved the way for the euro;
- The globalization, scientific and technological progress and growing competition of new actors on the world stage are affecting both Europe's present and its future;
- The EU is becoming increasingly dependent on energy supplies from abroad, as well as facing dramatic environmental challenges;
- The demographic phenomena of an ageing population in Europe and migratory pressures from outside are a complex test for the EU;
- New forms of international terrorism and organized crime are emerging.

In a world of the rapid change Europe-wide reflection is needed on how to meet **these challenges of the next decade and beyond** and how the EU budget needs to be adapted to new realities. A budget of the future cannot be designed on the basis that it once served the policy priorities of 1988, nor even that it has been fully modernized to reflect the priorities of today. It has to become a precise and efficient instrument of the implementation of commonly agreed political priorities.

Reforming the budget is about a change in thinking and a fresh look at the bigger picture of Europe: what EU do we expect and what are the ways to reach it? The challenge today is to anticipate tomorrow's challenges.

3. What the Budget Review is about and what it is not?

The budget review is a unique, once-in-a-generation, opportunity to undertake a comprehensive assessment of how the EU budget can serve the Union's policy priorities. The Commission's approach is one of openness: it comes to this review with no preconception what so ever.

Some questions need a profound deliberation:

- Has the EU budget proved sufficiently responsive to changing needs?
- How should the right balance be found between the need for stability and the need for flexibility within multi-annual financial frameworks?
- Do the new policy challenges [as set out in the Consultation Paper] effectively summarise the key issues facing Europe in the coming decades?
- What criteria should be used to ensure that the principle of European value added is applied effectively?
- How should policy objectives be properly reflected in spending priorities? What changes are needed?
- Over what time horizon should reorientations be made?
- How could the effectiveness and efficiency of budget delivery be improved?
- Could the transparency and accountability of the budget be further enhanced?
- Could enhanced flexibility help to maximise the return on EU spending and the political responsiveness of the EU budget?
- What principles should underpin the revenue side of the budget and how should these be translated in the own resources system?
- Is there any justification for maintaining correction or compensatory mechanisms?
- What should be the relationship between citizens, policy priorities and the financing of the EU budget?

The **budget review will NOT propose a new multi-annual financial framework** nor the overall size and the detailed breakdown of the EU budget. This task will be for the next Commission, in 2011. **Reforming the budget is about ensuring it matches policy priorities bringing EU added-value in a rapidly changing environment.** The Union institutions must first identify the key EU policies, and then assess how the EU budget can help deliver them.

4. What will the consultation process look like?

All interested parties at local, regional, national as well as European level are invited to participate in the debates, contribute their opinions and submit proposals. The Commission with the help of its representations in the Member States will accompany this consultation process by encouraging and supporting discussion.

The submissions should be sent to budget-review@ec.europa.eu by 15 April 2008 at the latest, accompanied by a summary if necessary. They will be published on the special "budget review" website http://ec.europa.eu/budget/reform/index_en.htm unless the senders concerned have explicitly objected to it.

The key messages and trends conveyed in the contributions will be presented at a large scale conference to be organized after the end of the consultation period in spring 2008.

5. Is the budget review the only action that the Commission undertakes to assess EU finances?

NO. The budget review will be complemented by preparatory action in key spending areas: agriculture and cohesion policy. The **CAP will undergo a "health check"** to fine-tune its 2003 reform and contribute to the discussion on future priorities in the field of the preservation and management of natural resources. **The 4th Cohesion Report** adopted in May 2007 looks at progress in reducing regional disparities and evaluates the results of the Cohesion Policy to date, as well as launching a reflection about the future. Reviews will also take place in other policy areas.

These policy assessments are intended to check whether EU policies are working as they should in a Union of 27 Member States. In some instances they will lead to immediate adjustments, but they will also feed into the longer-term perspective of the review.

6. Is the Commission asking for an advice of the outside experts?

YES. The Commission has engaged in a dialogue with a number of distinguished academics and launched a series of horizontal and sectoral studies, which will help the Commission to prepare the review.

7. Is the European Parliament involved in Budget Review?

YES. As clearly stated in the Inter-Institutional Agreement on budgetary discipline and sound financial management of 17 May 2006, the European Parliament will be associated with the review at all stages of the procedure through appropriate discussions in the framework of the political dialogue between the institutions. After the Commission will have put forward its proposals regarding the Budget Review under its own responsibility, the European Parliament will be part of any formal follow-up steps.

8. What will be the next steps after the publication of the Consultation Paper?

From now on till April 2008 the Commission will listen and collect the opinions expressed at local, regional, national and European levels.

On the initiative of EU Presidency in early November 2007 a debate will take place in Lisbon of the Budgetary Committees of the European and National Parliaments.

In spring 2008 there will be a political conference organised in association with the European Parliament with an initial analysis of the results of the public debate.

Based on that in the end 2008/beginning 2009 the Commission will present the Budget Review.

A proposal for a new multi-annual financial framework for the period from 2014 with a detailed breakdown and the overall size of the EU budget will be a task for the next Commission.