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« Reforming the Budget, Changing Europe »



The political mandate

Commission is invited to undertake a wide ranging review of:

- **all aspects of EU spending**, including the Common Agricultural Policy
- **all aspects of resources**, including the UK rebate
- ▶ The European Parliament will be associated at all stages
- ▶ The Commission shall present its report in 2008/9
- ▶ The European Council can take decisions on all the subjects covered by the review, in full respect of the Parliament's rights



Key objectives of the exercise

Analyse longer-term challenges and issues facing the EU



See how European budget can be shaped to serve EU policies and to meet challenges of the decades ahead



Thus seeking a new consensus on EU spending priorities, how the budget is managed and how to fund it.

The exercise is NOT a proposal for the next financial framework



The Timetable

- Sept 2007
 - **Consultation Paper** setting out the challenges and issues at stake
 - Launch of **public consultation** phase
- Mid-April 2008
 - Deadline for submission of contributions
- End May 2008
 - **Conference** closing the consultation
- End 2008/2009
 - Commission presents the review



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*What are the long-term
challenges facing the EU?*



Meeting tomorrow's challenges (1)

- Changing economic balance of power
- Scientific/technological progress
- Adapting peoples' skills to the requirement of a knowledge and service economy
- Demographic change.



Meeting tomorrow's challenges (2)

- Increased economic disparities
- Climate change
- Redefining the role and place of our rural societies and maritime areas
- Securing sustainable and competitive energy sources



Meeting tomorrow's challenges (3)

- Managing migratory pressures
- Providing security and safety to citizens
- Maintaining an effective presence worldwide.



What Are **Your** Views?

Do these policy challenges effectively summarise the key issues facing Europe in the coming decades?

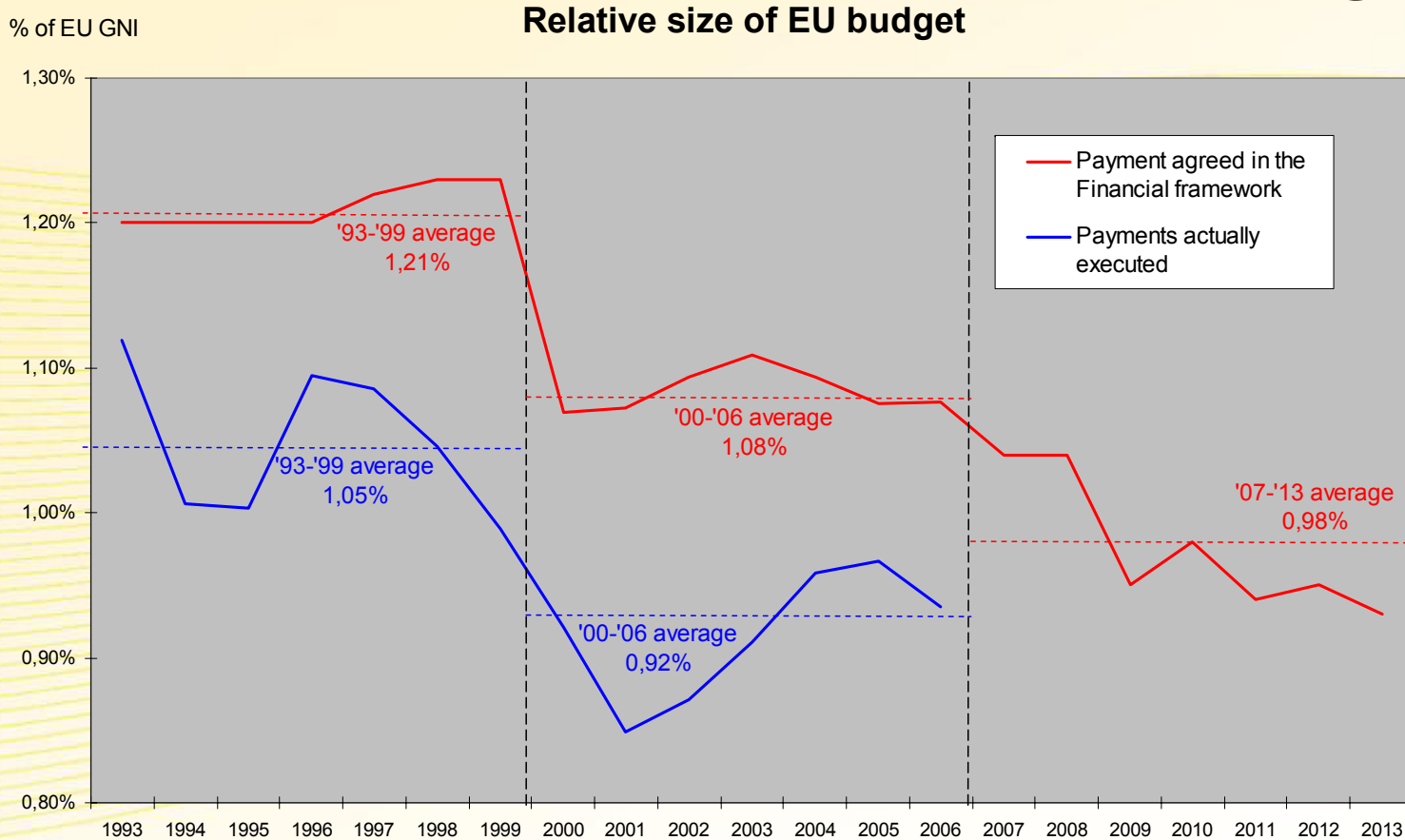


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A changing budget...



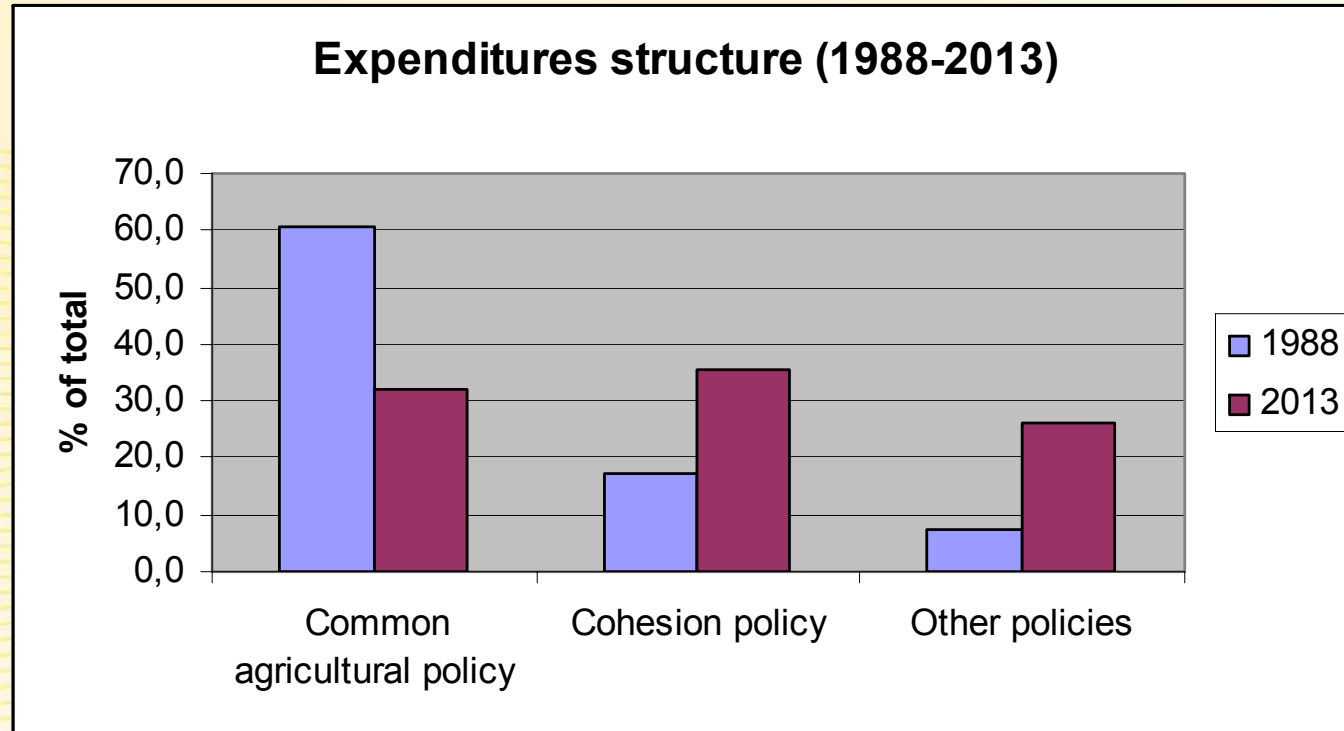
Relative size of the EU budget



The EU budget is decreasing over time as a percentage of national wealth, despite successive enlargements



A reflection of policy evolutions



- The profile of EU spending has changed considerably over time
- Example: the Common Agricultural Policy represented 61% of the budget in 1988. By 2013, the share of traditional CAP spending will have almost halved (32%).



What Are **Your** Views?

- *Is the EU budget sufficiently responsive to changing needs?*
- *Stability >< flexibility : how to find the right balance in the MFF?*
- *Could more flexibility help maximise the return on EU spending and political responsiveness?*



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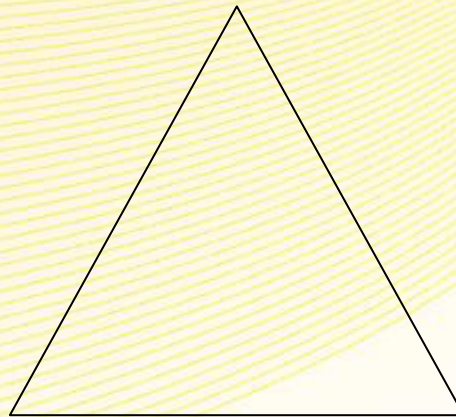
*What should be the
spending priorities?*



Passing the Added Value Test

Policy priorities – spending decisions

What do we want? Does it require spending?



Subsidiarity
Proportionality
Who should do it?

Effectiveness
Quality of spending
How do we want it?

EU action should provide clear additional benefits compared to actions by individual Member States



What Are **Your** Views?

- *What is European value added? Criteria?*
- *How should policy objectives be reflected in spending priorities? What changes are needed?*
- *Time horizon?*

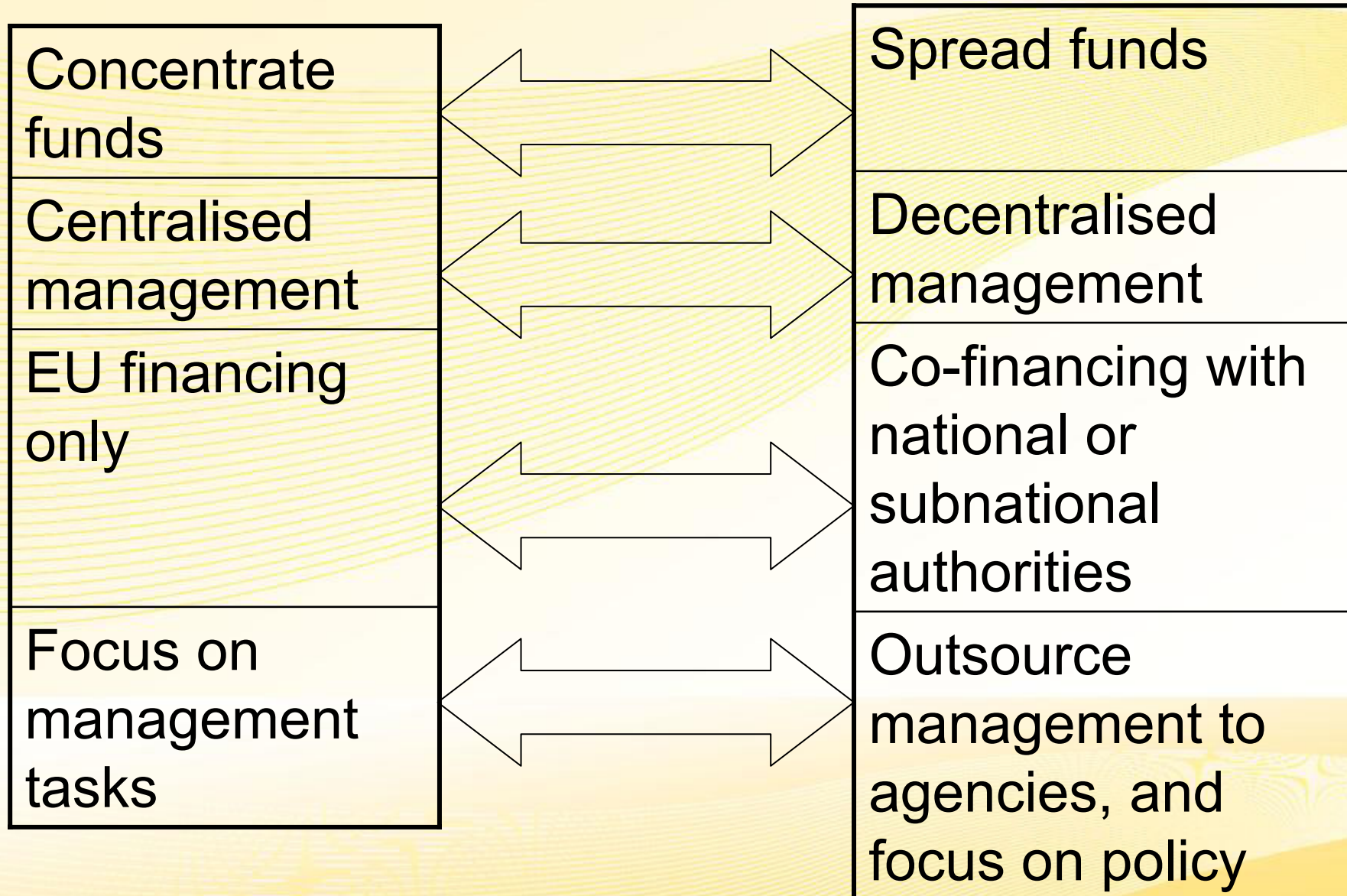


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...how to deliver?



Effectiveness & Efficiency of delivery: finding the balance for each policy





What Are **Your** Views?

Can we improve?

- *Effectiveness and efficiency of budget delivery?*
- *Transparency and accountability?*

How?

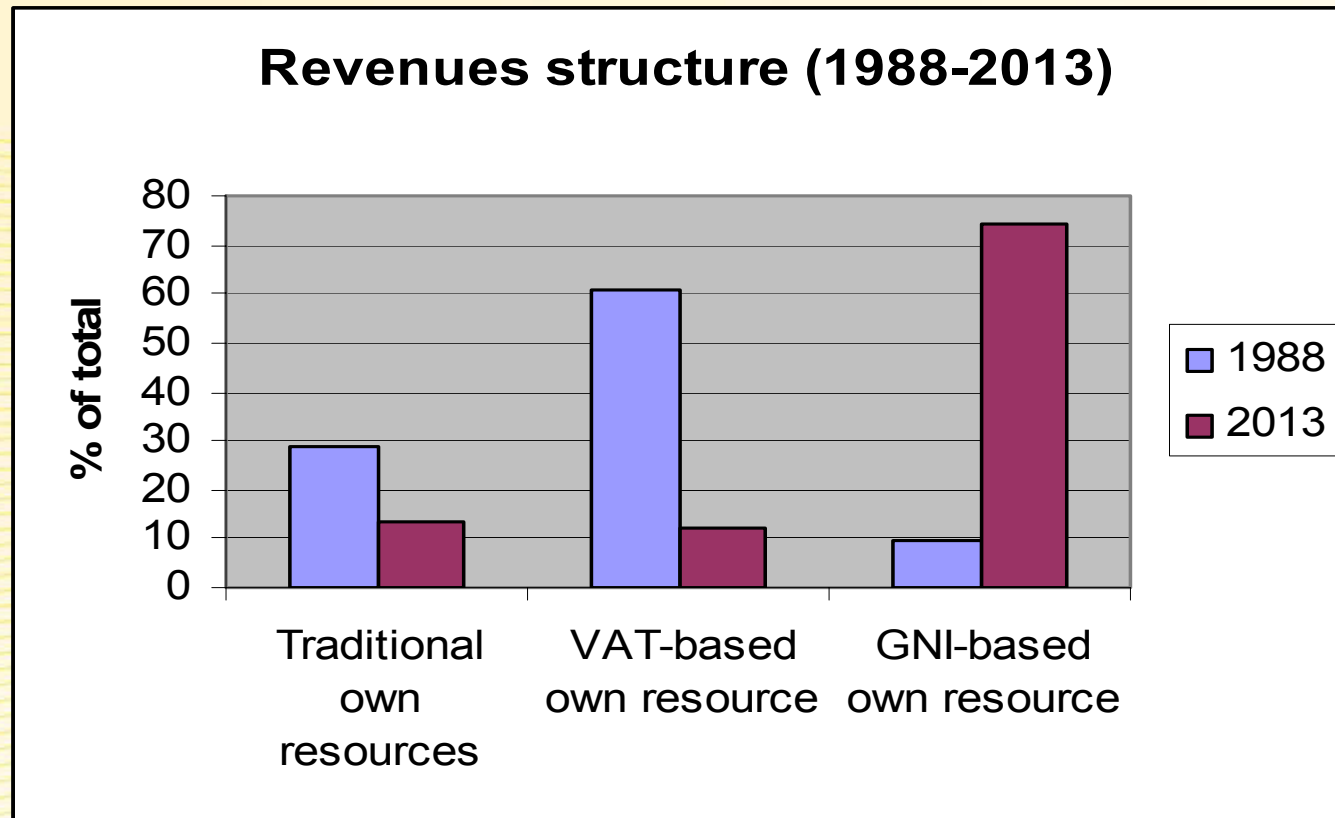


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...and how to finance it all?



Significant shift in funding of budget



The EU budget is increasingly based on the GNI contribution, from 11% of the total in 1988 to 74% in 2013.



Financing EU policies - principles

- The current financing system has provided sufficient resources to finance the EU budget

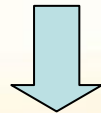
BUT

- Member States tend to judge policies primarily in terms of "national returns" and not so much in terms of the added value of policies for EU citizens.



Debates on net contributions led to a rise in budgetary « corrections »

- *UK correction* – 66% of the difference between contributions and its receipts
- *Lump sum payments* to the Netherlands and Sweden
- *Reduced VAT rates* and reduced UK correction for the Netherlands, Sweden, Germany, Austria
- *Retention* of 25% of traditional own resources for all Member States collecting them

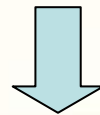


Reduced simplicity and transparency of financing system



The challenge of reforming the financing system

- A consensus on spending priorities could facilitate a reform of the EU own resources.
- Should alternative sources be envisaged taking into account the national sovereignty on fiscal policy?
- Could a new system better contribute to and support related EU policies?



The overall composition of the Union's own resources system will be an important element in the review



What Are **Your** Views?

- *What principles should underpin the financing of the EU budget?*
- *Maintain corrections or compensatory mechanisms?*
- *What should be the relationship between citizens, policy priorities, and the financing of the EU budget?*



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The European Commission invites **you** to participate in the debate on the future of the EU budget



How can you take part?

- A Commission website presents the issues and collects contributions:

http://ec.europa.eu/budget/reform/index_en.htm

- Contributions can be sent until 15 April 2008 to

budget-review@ec.europa.eu