

## **Statement of President Barroso on the budget review, 19 October 2010**

The European Union takes decisions everyday which have a direct impact on the lives of 500 million European citizens. The economic crisis is just one example of the importance of coordinated action at the European level to avoid falling into a decade of debt and job losses.

This week the Commission has launched a debate on how the European Union's budget should be spent in the future and how it should be financed. It is a debate about how taxpayer's money can best be targeted to the right priorities. The natural temptation is to immediately jump to the question of how much the EU budget should be. I believe this is the wrong starting point. You don't agree on a price for a car without knowing if it works and how far it will take you. The same should be true for the EU's budget. I hope that we can first have a no taboos debate about what should be the areas that the European Union funds.

The EU budget has been changed over time. The question that the Commission poses is how the budget should be further reformed.

I believe there are five principles that should underpin our thinking.

First of all, the level of spending should reflect the EU's core policy priorities. This means that the budget should above all be designed to help deliver smart, sustainable and inclusive growth. It also means directing it to collective challenges like energy and climate change, justice and home affairs and the external projection of the EU. One area to look at will be the Common Agricultural Policy where we need to further shift the policy towards the challenges we face, for instance on competitiveness, innovation, environmental protection and climate change. Further reform is needed, but we need to debate the degree of intensity of such reform.

Second, we want to look at added value. We want to identify the areas where spending at the EU level generates more of a return for citizens than does spending at the national level. Good examples of this are areas like infrastructure, mobility or EU research cooperation. Where the added value of EU action can't be demonstrated, the Commission will support reductions.

Thirdly, solidarity will remain a cornerstone of the budget, as a means of delivering mutual benefits. The driver of Europe's growth and jobs is the single market. Making the weaker parts of the Union stronger so that it enhances the single market, creates benefits for all. GDP in the EU-25 as a whole is estimated to have been 0.7% higher in 2009 because of cohesion policy over the 2000-2006 period. Another example is interventions like tackling illegal immigration, which are geographically concentrated in countries with external borders, but deliver benefits for all.

Fourthly, we want a budget that is driven by results. Spending on the right policies only makes real sense if it secures the desired results on the ground. We magnify the impact of the EU budget if it is used to leverage additional financing from the private and banking sector, including the EIB. Likewise, we could secure, through EU project bonds, the private investment required for projects of key strategic interest for the EU.

Finally, we need to reform the financing of the budget. Almost two thirds of the EU budget today is financed from contributions by the Member States. The Commission does not believe that the current mix of member state contributions and own resources is the right one. We suggest a number of options to re-design the EU's method of financing. This is not a question of an EU tax but of finding new sources of financing to gradually replace member states contributions. We also need to take another look at the byzantine set of corrections and trade-offs. I believe it is high time to promote a system that is understood by citizens.

Part of a credible European budget is the rigorous pursuit of savings, boosting efficiency and eliminating pockets of inefficiency in areas like staffing, IT, buildings and costs related to the fact that we work in 23 languages. Since 2007 the Commission has not increased its number of staff. I have committed to look again at how all EU institutions can make further savings.

The budget review is not simply another addition to the mound of EU paperwork. It is a genuine attempt to stimulate a real debate on the type of budget we need in the future to deliver the results our citizens expect from the European Union. All ideas are welcome.