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Επισυνάπτω σύντομο σημείωμα για κ. Πρόεδρο.

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## Future Financing of the Union

1. To determine the future financing regime for the budget of the European Union (EU) we need to consider that:

   (i) The EU budget has remained practically frozen at around 1 per cent of the Union's combined Gross National Income (GNI) for almost two decades now.

   (ii) The Union has in the meantime expanded its membership to twenty-seven member states, developed a new set of policies (Common Foreign and Security Policy/CFSP, Defence Policy/CSDP, R+D, Justice and Home Affairs/JHA) whose implementation requires new financial resources.

   (iii) It has also set up new institutions, bodies, competences and objectives for implementation through successive new Treaties, most notably through the Lisbon Treaty, with substantial budgetary consequences.

2. We need also to take into account that the financing of the Union's budget has come to rely overwhelmingly on national contributions through the GNI-based resource (70% today from 8% in 1988). This means that the "own resources system" has to all intents and purposes ceased being an autonomous "own resources" system for financing the EU's budget. In actual fact the system has been renationalized in clear violation of the Treaties. Perhaps more importantly, the nationalized system generates friction among member states relating to the volumes of their contributions, giving rise to calls for *"just retour"* thus pitting the so-called "net contributors" against the "net recipients". Moreover, the system has led to the introduction of a large number of ad hoc corrections, rebates and special arrangements in order to correct specific problems arising from national

contributions. All this means that the system lacks in transparency, simplicity and fairness.

We should finely bear in mind that the budget is an instrument for achieving the Union's objectives, realizing its policies that are collectively decided and for promoting solidarity, security, growth and prosperity. The Union is and needs to remain a "solidarity and welfare-maximizing system".

3. To overcome the above-mentioned shortcomings we need to move towards establishing a **genuine "own resources" system** scraping altogether the present system of national contributions (replacing, that is, the VAT and the GNI resources). To that end, we need to consider setting up new resources independent of the national budgets and closely linked to the Union's policies. In this respect the ideas contained in the Commission's Communication (for EU taxation on the financial sector, energy, transport, corporate income, air transport or special EU VAT as a means of financing the budget ) could form the basis for the new system (COM (2010) final, 19.10.2010).

4. Naturally, the new system must be built on the principles of fairness, efficiency, transparency and simplicity, thus doing away with the need for special correction mechanisms and rebates.

5. In designing the new financing system for the EU budget, we must place the whole exercise into the broader context of the Union's future financial needs, the provisions of the Treaty committing the Union to safeguard adequacy of resources "commensurate with its competences" and our ultimate objective of eventually shaping a budget with federal characteristics.