WHAT TO REFORM IN THE EUROPEAN BUDGET?
Some reflections on the stakes of the current budget review process

Dragoş Negrescu*

Abstract. *The EU budget is the financial tool supporting European integration. The way it has developed over decades, both as concerns revenues and expenditure, superposed to a complex decision-making process, where member states retain veto rights in crucial respects, means that it currently displays a significant inertia, while its size and structure are not the most appropriate for endowing the Union with the means allowing it to best react to the present-day challenges. Tensions are also rising between the national interests of individual members and the common interest, which previous attempts to reconcile by way of special treatments granted to some countries are clearly unsustainable, while inducing additional rigidities to the budgetary construction. This obviates the need for a comprehensive reform, which the 2008/2009 budget review that the Commission was mandated to undertake may set in motion. The following paper attempts at taking stock of the most significant problems in need of a solution and to explore the most appropriate ways available for tackling them.*

Key words: *EU budget, EMU, European tax, VAT*

The EU budget is an unprecedented construction. Its significance surpasses by far that of the budgets of any international organisation (be they as developed and substantial as those of the UN or the Bretton Woods institutions), but at the same time it displays far more limitations than either national or federal budgets: with a size of just about 1% of the Community's combined GDP, it is dwarfed by the percentages of at least 15% (going up to over 50%) that exist in any ("non-failed") state of the of the world. This feature reflects, at the end of the day, the special nature of the entity – the European Union – that this budget is meant to serve: a strong emphasis on regulatory (as opposed to allocative or redistributive) functions and a lack of competencies in precisely those areas which burden the most public budgets in general: social security, health, defence, public order etc.

There is, however, an important additional explanation for the small size and, hence, the limited functions of the Community budget, which may be expressed as the "fundamental dilemma of the EU finances"[1], namely the fact that, although collectively interested in fulfilling some common goals in the most effective and efficient way, the member states have an individual desire to secure the most favourable net balance out of their interaction with the budget. This is a good illustration of the pitfalls of the "logic of collective action", as identified by Mancur Olson.

The institutional framework of the budgetary process is very complex, in spite of its successive reforms carried out by way of amending the Treaties or decisions made at the level of the European Council. The

* **Dragoş Negrescu** is Senior Lecturer at the Academy of Economic Studies in Bucharest and Adviser to the Deputy Governor of the National Bank of Romania.

[1] Iain Begg, Friedrich Heinemann: *New Budget, Old Dilemmas,* CER Briefing Note, February 2006, p.1

Commission enjoys its typical prerogatives of sole right of initiative and of implementation (execution) of the budget, but it does so in a particular way: its proposals for the annual budget have to abide by the spending constraints contained in predetermined "multi-annual financial perspectives" (hereafter, MFPs) and strengthened by the legal obligation of a perfect balance between revenues and expenditure, while for some 80% of the funds it is ultimately responsible of, the actual management is either sub-delegated to other Community institutions or exercised jointly with the member states. The Council and the Parliament are the two arms of the so-called "budgetary authority", but their prerogatives are distinct from those they exercise in any of the classical forms of Community decision-making (consultation, cooperation, or codecision). The power of decision concerning the resources of the budget is strictly reserved to the Council (and, moreover, requires unanimity), while that on the expenditure structure (not size, since this automatically derives from that of resources) is split between the two bodies, each having the last say as concerns one part of the outlays: "compulsory expenses" are the realm of the Council, while "non-compulsory expenses" are ultimately decided by Parliament, with some limitations of its room for manoeuvre. Either arm of the budgetary authority has the possibility to veto the entire budget, be it implicitly (the Council, by withholding its agreement on the size and structure of the compulsory expenditure), or explicitly (the Parliament, by voting down the entire draft budget). Exercising this option amounts to a very serious setback to the proper functioning of the Community, yet it occurred four times in the past, twice because of Parliament (1979 and 1984) and twice because of the Council (1982 and 1986). Laborious negotiations were then required to avert a complete blockage of the Community activities, which obviated the need for a more lasting solution.

This was found, as from 1988, in the so-called MFPs which set, for a longer period (7 years, currently), the maximum amount of resources available and, on this basis, the amount and structure by large categories of expenditure. The MFPs are subject to tripartite (Commission, Parliament and Council) Inter-Institutional Agreements (hereafter, IIAs), the current legal status of which is ambiguous, as they do not constitute secondary legislation in the proper sense of the word. This feature would be corrected by the Lisbon Treaty, which provides that "the multiannual financial framework" will be established by a European Law of the Council, the approval of which will require the unanimous consent of the Member States in the Council and the acquiescence of a majority of MEPs.

Overall context of the reform process

The IIA of April 2006, which paved the way for the approval of the 2007-2013 MFPs, mandated the Commission to "undertake a full, wide ranging review covering all aspects of EU spending, including the CAP[2], and of resources, including the UK rebate, and to report in 2008/9".

While the prevailing expectations concerning the concrete final outcome of this undertaking tend to strike a skeptical note, there are also views which, drawing a parallel with the mid-term 2003 CAP review (which unexpectedly led to some radical decisions, dubbed the "Fischler Reform"), do not rule out the possibility that at least some important

[2] Agricultural expenditure was practically excluded from the negotiation of the current MFPs, having been „frozen" in real terms by a Franco-German agreement which received the endorsement of the European Council of Copenhagen in December 2002.

steps forward towards reforming the EU budget may occur as a result. While it is unrealistic to expect any significant alteration of the current MFPs, which are the result of protracted negotiations, leading to complex and elaborate trade-offs impossible to undo without tearing apart the whole fabric on which the overall balance of concessions was based, there is a good chance that improvements agreed as a result of this reflection process will start being implemented as early as the next multiannual programming cycle.

What renders plausible a significant, rather than gradual and piecemeal (as used to be the case until now), reform of the Community budget is the accumulation of problems which, left to develop further, risk blocking this essential instrument of the European construction. To begin with, the increased EU membership, whereas the "newcomers" will no longer be prevented to take part in the crucial decisions concerning the financing of agriculture, will make reaching an agreement on the MFPs even more difficult than was the case until now. Secondly, the continuous increase of the proportion of budget revenues clearly attributable to direct contributions from Member States can only enhance national approaches focused on securing the most favourable net balances, to the detriment of privileging the pursuit of the Union's general interest. Furthermore, and linked to the above consideration, the pressures for extracting new *ad hoc* corrective/compensatory arrangements (of which there are already several, the "UK rebate" being just the most visible of them), combined with the insistence of the current beneficiaries to preserve theirs, risks complicating the construction of the budget beyond the border of reasonableness. Finally, an overall structure of expenditure further determined by path dependency more than by the goals that the EU has set for itself will become an ever growing obstacle to their fulfillment.

It is beyond doubt that, ultimately, political economy considerations and particular interests of member states will significantly shape the outcome of this exercise. Nevertheless, to the extent that making substantial progress is crucially important, the content of the reflection launched by the Commission in its Communication of September 2007[3], has to be informed by solid considerations of principle. A starting point is offered by the fiscal federalism theory, which suggests two important orientations:

a) financing through the Community budget of European public goods, the identification of which rests on simultaneously applying the criteria of: *critical mass*, which cannot be attained by isolated interventions of individual member states; and *impossibility to assign individually* (at the level of member states) *the benefits* of common policies financed out of the Community budget;
b) generating value added through Community financing, thanks to *economies of scale* which can be reached by pooling together the resources of Member States.

As often recalled by academics and politicians alike, the European Union is not (as yet?) a federation, hence the theory of fiscal federalism cannot be fully relevant for the EU budget debate. It should be mentioned, however, that the precepts of fiscal federalism are somehow reflected, under the name of subsidiarity, in the theory and practice of European integration, the said principle stating

[3] European Commission: *Reforming the Budget, Changing Europe. A public consultation paper in view of the 2008/2009 budget review*, SEC(2007)1188 final, Brussels, 12.9.2007

the need for involving the supranational (Community) level only in those cases where its intervention elicits better results than those of the intervention by individual member states. Other principles derived from the Community construction are also useful for guiding the reform of the EU budget. Such is the case of:

- proportionality, which – in this particular context – may be regarded as the corellative of subsidiarity, and which obviates the need that Community intervention limits itself to what is strictly required for reaching the goals set; and
- additionality, which refers to the need that Community resources do not simply replace national funding which would had been forthcoming absent this financing. This principle has been applied so far in the context of EU's regional policy, but it would be usable to other chapters of the Community budget as well, even if not to all of them.

Last, but not least, the EU budget must be a tool adapted to the largest extent possible to the need of reaching the Union's goals, i.e. something which obviously presupposes their correct identification. This may induce a certain tension between the goals explicitly stated in the Treaties and those deriving from other documents. From a "legalistic" perspective, for instance, the absolute preeminence of the goal of the "Lisbon Strategy" – which many recent studies dedicated to the EU budget reform are taking for granted, but which derives from an instrument typical for the "open method of coordination", not for the "Community method" – may be questioned, especially when it is emphasized to the detriment of the Common Agricultural Policy, whose legal bases are clearly laid down in the Treaty (TEC).

Since the budget review is meant to be, in keeping with the requirements of the IIA, full and wide-ranging, one can legitimately infer that institutional aspects, as well as the decision-making procedure itself, could also be touched upon. Otherwise, this would implicitly limit the extent to which the reform of the revenue and spending parts of the budget can be envisioned.

Budget decision-making and procedures

The unanimity rule, and hence the possibility of any member state to block, in the process of adopting the MFPs, the attribution of adequate budget revenues and/or the allocation by large chapters of Community expenditure, is a formidable institutional constraint, which can only grow as the number of EU members increases and the gaps between their net balances widens. Aware of the prospects of a mounting difficulty from this point of view, the Convention on the Future of Europe, which debated the first draft of the now failed Constitutional Treaty, proposed a switch to qualified majority voting starting already with the current MFPs (2007-2013). This idea was to be subsequently dropped by the Member States in the context of the ensuing Inter-Governmental Conference.

Apart from national selfishness, easy to understand though not also to condone, which dictates the preservation of veto rights, one has to admit that there are also systemic considerations which go against the replacement of the unanimity requirement with qualified majority voting, at least in its current form (or the one it would take in keeping with the Lisbon Treaty provisions). This is because abandoning unanimity in these circumstances would render theoretically possible that a majority of member states decides to alleviate their own burden by transfering a larger part of

it on the shoulders of the minority, or that net beneficiary member states impose even higher contributions on those with already negative net balances.[4]

A compromise solution might nonetheless exist and it could consist of giving up the unanimity requirement in favour of a particular type of qualified majority, applicable solely to major budgetary issues (resources and multiannual breakdown of expenditure ceilings by large categories) and inspired *mutatis mutandis* from the vote allocation in the framework of the international financial institutions (IMF and the World Bank), that is, by weighting the voting power of any member state with the proportion of its "national" (as opposed to the traditional EU "own resources") contribution to the Community budget. This obviously entails complicated methodological problems which may not be solvable in an ideal manner, but the clear advantage of such a voting mechanism is that it has a built-in "moderating device" since, as some member states would be pushed by the majority towards larger contributions, their capacity to oppose this grows correspondingly, up to the point of being able to block the most excessive initiatives deriving from the "reverse selfishness", i.e. that of the large net beneficiaries.

An alternative way of smoothing the decisions requiring unanimity would be to dilute the relevance of the "net balances", which could be achieved by assigning the largest proportion, among the revenues of the budget, to genuine "own resources", this being tantamount to instituting true "European taxes".

[4] Simon Hix: *The Budget of the European Union*, in "The Political System of the EU", Palgrave MacMillan, 2005, p.306-7. For a similar argument, see also Friedrich Heinemann: *The EU Budget Must Get Rid of the Distribution Burden*, Intereconomics, September/October 2001, p.79

Relinquishing the unanimity requirement in the Council would result in an enhanced influence of the other two sides of the "institutional triangle", namely the Commission and Parliament. Given the special significance of the budgetary process (deriving from its historical relevance for the concept of sovereignty, as well as from its special visibility for citizens), increasing the legitimacy of these institutions in the eyes of EU citizens would become very important in order to defuse national temptations to preserve the current veto rights. Once the issue of qualified majority decision-making gets solved, resulting in increased roles for the Commission and Parliament, the current (7 years) time-span of the multiannual budgetary cycles would lose any logic and would need to be modified so as to coincide with the "political" cycles, determined by the moments of election/designation of composition of the two bodies and the duration of their mandates. It should nevertheless be mentioned that such a solution is met with reservations in some quarters, on grounds that, on the one hand, it would render negotiations with high stakes (hence, prone fo failure) more frequent than is currently the case and, on the other hand, it would further "politicise"[5] the budget decision process, though it has to be pointed out that the latent tension between feasibility and legitimacy considerations does not necessarily be solved in favour of the former.

Another required procedural improvement, even if less important than the ones already explored, pertains to the relaxation of the strict requirement of annual budget balancing. From the standpoint of *opportunness*, several macroeconomic considerations would plead in favour of such

[5] Henrik Enderlein et al.: *The EU Budget. How Much Scope for Institutional Reform?*, ECB Occasional Paper No.27, April 2005, p.18

a measure. They are linked to the particular circumstances induced by the functioning of the EMU, which means that, as the "Eurozone" enlarges, they will become even more persuasive. There is, thus, the argument – derived from the theory of the "optimum currency area" – according to which losing the possibility to have recourse to monetary and exchange rate policy tools in order to counteract economic shocks with asymmetrical effects requires more centralisation of fiscal policy and its counter-cyclical use. Concretely, one may envision that, should an economic recession localized at the level of just some member states occur, the centralised budget steps in and supplies resources meant to bridge the gap between the national and the EU/"Eurozone" growth rates.[6]

In the context of the EMU, the need for such a lever is magnified by the fact that other adjustment mechanisms that could operate in such adverse economic circumstances are relatively ineffective (than is the case, for instance, in the USA): labour mobility is low because of cultural and linguistic barriers and the labour market is relatively inflexible, thus leaving little room for wage adjustments. Moreover, the constraints imposed by the Stability and Growth Pact on the use of national budget levers further limit the reactive capacity of individual national economies. What is more, in a single market context, in which the high degree of opennness of national economies may lead to a situation whereby a large part of the national budgetary stimuli may "leak" in the absorption of additional imports, hence in stimulating partner economies as well, the assumption of such a function at the supranational level may be regarded as equivalent to supplying a "European public good".[7]

Assigning a stabilization function to the European budget would represent a natural complement to its current allocative and redistributive functions which, in particular circumstances, may themselves exercise destabilizing effects. Indeed, for at least some member states, Community funds allocations are important (significantly over 1% of GDP) and, moreover, concentrated in some sectors, which magnifies their pro-cyclical impact. Thus, for instance, over 10 billion EUR-worth of structural funds were injected in Spain in 2000-2006, mostly in the construction sector, substantially contributing to its overheating, which is now being regarded as one of the main sources of vulnerability for the Spanish economy. Finally, the amounts available in the Community budget, because of the rigidity of their use (in particular, the impossibility of transferring them towards subsequent budget exercises), are being absorbed at a speed which is not dependent on (nor even adjustable according to) the phase of the national economic cycle.

The only *opportunness* consideration which seems to point against assigning a macroeconomic stabilization function to the Community budget pertains to the fact that the effectiveness of the fiscal tool, which economic theory presupposes, is severely affected in practice by the lack of timely information concerning the emergence and nature of the asymmetric shock (which would indicate to what extent the budgetary lever could play the role of a corrective device), as well as by the often significant time lag between the moment when the budgetary tool starts being used and the one when its corrective virtues begin to be felt.

[6] Jorge Nunez Ferrer: *EU budget and policy reforms to promote economic growth*, ITPS Working Paper no.15, 2007, p.32

[7] Sebastian Dullien, Daniela Schwarzer: *Integrating the the Macro-economic Dimension into the EU Budget,* EU-Consent Working Paper No.4, August 2007, p.7

Feasibility considerations are the weakest point when it comes to assigning a stabilization function to the Community budget. Giving up the unanimity rule is, anyway, a *sine qua non* condition in order to allow the Community budget to assume the role of an automatic stabilizer, but not also a sufficient one. Such an instrument is, realistically speaking, conceivable only in the framework of a true federation, where the perception of solidarity among its members is stronger than is currently the case within the EU. Secondly, exerting a stabilizing function requires reaching a critical mass of resources that can be mobilized in the case of an asymmetric shock, which, depending on the severity and localization of the shock, may reach substantial dimensions, equivalent to 1-5% of the Community GDP. As long as the size of the whole EU budget continues to hover around just 1%, its ability to fulfill a stabilization function will remain negligible.

Expenditure reform

The current structure of the EU budget expenses is, to a large extent, the result of transactions between the member states reached at various critical junctures of the European integration process. Thus, the privileged position of agriculture among the various destination of budget outlays is routinely attributed to the "founding trade-off" between the German interest in open markets for industrial goods and the French desire for comprehensive support of its large agricultural sector. Later on, the massive increase of structural funds between 1984 and 1992 reflected not just the accession to the EC of three considerably less prosperous new members (with *per capita* GDP of less than half that of the existing ones) but, even more so, it played the role of softening the opposition of some member states (typically, the less wealthy of them) towards implementing the crucially important projects of the Single Market and the EMU. In the rigid decision-making framework described above, which renders radical changes extremely difficult, these transactions have induced a strong path dependence for the EU budget outlays. Under such circumstances, the structure of the Community expenditure could only by accident have been optimal.

But even the co-ordinates of what an "optimal" structure entails are a matter of debate. This is not only because, as mentioned above, since the EU is not a federation the commandments of fiscal federalism are only partly relevant, but it is also the inevitable consequence of the fact that the practical operationalisation of such theoretical criteria as internalising externalities, exploiting economies of scale or preference homogeneity is far from being straightforward. Besides, while it is relatively uncontroversial to agree that the Community budget should serve the attainment of EU's goals, there can be diverging views both with respect to their concrete identification and as concerns the extent to which fulfilling these objectives requires budgetary support (as opposed to regulatory intervention, for instance), as well as the extent to which, if required, this support should be provided from the supranational budget.

From Article 3[8] of the Treaty on the European Union, four important objectives can be "distilled":

- establishing a space of freedom, security and justice without internal borders;

[8] Which is a recasting and renumbering, by the Lisbon Treaty, of the current Article 2 TEU.

- sustainable development, based on balanced economic growth, price stability and a highly competitive social market economy;
- supporting economic, social and territorial cohesion, as well as solidarity among member states;
- contributing to the peace, security and sustainable development of the planet, to free and fair international trade, poverty eradication and human rights protection.

The former two objectives have a budget correspondent in the expenditure chapters devoted to internal policies, the third is covered by the "cohesion" chapter of the budget, while the latter is supported financially by the external actions ("EU as a global actor") part of the budget. In other words, none of the stated objectives has been ommitted by the current budgetary construction. Of course, the size of their financial coverage matters a lot, but this is an issue far more difficult to gauge in a rigorous manner, the more so that the means of pushing forward these goals have a very significant regulatory component, which is largely prevalent in all cases, except economic cohesion (which, being subject to the pressure of the agglomeration effects engendered by the free movement of products and production factors within the borderless internal market, requires redistributive compensatory interventions of relatively large dimensions). Hence, the fact that structural funds will come to represent at the end of the current multiannual programming period the largest expenditure chapter of the Community budget can be regarded as a *prima facie* indication that this requirement is being satisfied. There are, of course, details which need to be assessed more thoroughly in order to validate this assumption.

Before moving on to the individual assessment of the main expenditure chapters of the Community budget, which is an inescapable requirement for identifying the desirable reforms, it is useful to highlight a trade-off which several recent studies, following the path opened by the "Sapir Report" of 2003, have singled out as the indispensible element of any substantial reform of the Community budget expenditure, that is, the abandonment of the centralised budgetary support for agriculture in favour of substantially increasing the outlays destined to implement the "Lisbon Strategy", that is, primarily, of the amounts earmarked for R&D, education and trans-european infrastructure networks (TENs). While very convincing at first glance, such a radical recommendation conceals (or, at least, minimalises) numerous considerations which do not lend it support. The most important of these would seem to be that there is a critical mass which expenditure devoted to incresing the competitiveness of the European economy needs to reach in order to be efficient and there are good reasons to doubt that this can be attained against the background of total Community expenditure capped at just 1% of the combined GDP of the EU, out of which an incompressible percentage of at least 10% has unavoidable destinations: administrative expenses and those for external actions. Hence, an expenditure reform predicated on the notion of keeping the total size of the budget largely unchanged elicits serious doubts as to the rationality of refocusing it on the "Lisbon Agenda" at the cost of crowding out other categories of expenses.

Secondly, the solidity of the legal basis of the two categories of expenses which the "Sapir Report" and its followers are putting in direct competition would seem to favour agriculture. The application of a common policy in this field is explicitly provided for by the primary legislation (the Treaty establishing

the European Community – TCE), and its co-ordinates are defined by a vast body of secondary legislation, whereas the goals of the "Lisbon Strategy" are only generically referred to in the primary legislation (currently, Article 2 TUE) and its co-ordinates are not set by way of the "Community method"", but by the far less legally binding "open method of co-ordination". These distinctions are not deprived of practical relevance. At least as long as the CAP will retain an important market intervention pillar, and the Community's stance in the context of the WTO Doha Round negotiations seems to confirm this perspective, a "renationalisation" of the expenditure devoted to the functioning of the common policy in this respect is inconceivable, since it could lead to the absurd situation whereby national budgets would have to finance intervention acquisitions of and export restitutions for agricultural surpluses generated by other member countries. On the other hand, it is debatable whether the fulfillment of the Lisbon Strategy goals hinges more on the generous financing of R&D, education and TENs than on implementing essentially regulatory reforms (of the labour market, first and foremost) which fall mainly under the responsibility of the individual Member States.

Agriculture

If a Community budget almost exclusively subordinated to agriculture (as used to be the case in the 1970s and 1980s, when over two thirds and sometimes – e.g., in 1970 – slightly above 90% of expenses were allocated to it) was obviously irrational, the current situation, whereby the weight of agricultural expenses declines towards 30%, cannot *a priori* be described as a "historical relic".[9] One of the main arguments supporting this assertion, namely that agriculture is a declining sector, has become far less convincing in the light of the developments unfolding since 2007, the structural (rather than conjunctural) nature of which seems to be supported by the nature of their determinants: the changing eating patterns of half of the world's population; the crowding effect exerted on the agricultural output destined to food by the booming demand for biofuels; and the chronicisation of extreme weather phenomena, engendering repeated supply deficits, at least alternatively, in various parts of the globe.

The idea of putting on national foundations the financing of EU's agriculture is, as mentioned above, incompatible with the functioning of a common policy comprising a "guarantee" component. Theoretically, such a switch could be foreseen for the rural development pillar of the CAP, but there are moderating considerations in this respect as well. The nature of these expenses is ambiguous: they have, *a priori*, allocative virtues, but their *de facto* redistributive nature cannot be overlooked against a background whereby the quasi-totality of EU's new members are both less prosperous than the other member states and more "rural" from the standpoint of agricultural employment and of the contribution of agriculture to GDP formation. Consequently, the "renationalisation" of the financing of this pillar would have the practical significance of backstepping from the principle of Community solidarity. It is true that, as it will be shown below, the proponents of this solutions are, at the same time, supporting the refocusing of the "cohesion" expenditure (the structural funds) away from its current regional dimension and towards a national one, which would result in a certain compensation for the new members. Nevertheless, such a re-balancing cannot occur in isolation, but only in

[9] Marco Buti, Mario Nava: *Towards a European Budgetary System*, EUI Working Paper RSC 08/2003, p.1

the context of an integrated agreement, whereby the restructuring of the Community expenditure for rural development goes *pari passu* with that of the structural funds.

Having said this, even assuming that in such a case there may be an important room for manoeuvre as concerns the outlays currently earmarked for rural development, their rather modest weight in the total Community budget (about 10% in the current multiannual financial framework) also means that it would not be possible to extract from here the important resources to be reallocated for destinations considered more "deserving".

Regional development

A surprisingly strong wave of opinion has emerged, at least at the academic level, in favour of the recommendation formulated in the already mentioned "Sapir Report", to the effect of switching the eligibility criterion for structural funds from a regional, to a national one, with the corollary that the "poor" regions from "rich" member countries would lose their entitlement to Community budget support.[10]

The consequences of such a move makes it very vulnerable from the perspective of *feasibility* considerations. Indeed, this would result in a situation whereby the more prosperous member states would be left to solve by themselves their regional disparity problems, while continuing to contribute to the alleviation of the similar problems confronting the poorer member countries. In other words, a policy predicated on the notion of Community solidarity would be replaced, for all practical purposes, by one based on principles similar to those of the development policy in favour of developing countries. Yet, the classical official development assistance (ODA) granted by industrialized countries to the Third World states is unilateral and voluntary, while the *sui generis* one that would result from implementing such a reform would be contractual and mandatory, hence very unlikely to take roots.

It should also be mentioned that none of the recommendations made to this affect offers a concrete solution as to the level of prosperity which would draw the line between the member states which can and those which will not be able to benefit from structural funds any longer. Yet, since these funds are, already now, the main chapter of the Community budget, it seems obvious that the natural impulse of any member country would be to determine the choice of an eligibility threshold not affecting it, especially as long as there are no convincing theoretical arguments for setting a particular threshold. This triggers the quasi-certainty that such a decision will prove impossible to take in a framework of unanimity voting. Moreover, adjustments would be required, which none of the studies mentioned refer to, so as to ensure that a minor overtaking of the eligibility threshold by a member states does not substantially alter in a negative way the net balance of its interaction with the Community budget.

Equity considerations are not better served by such a modification. By definition, this violates the principle of international equity, but moreover it is bound to deteriorate the inter-personal equity as well, since prosperity differences at personal level are better approximated by the gaps in average *per capita* revenues computed at regional level than by those computed at national level. This consideration is the more important that the European construction does not have

[10] Torbjörn Danell, Anders Östhol: *The EU Long-term Budget. Reform and New Priorities*, Swedish Institute for Growth Policy Studies, January 2008, p.43; Jorge Nunez Ferrer: *op.cit.,* p.16; Filipa Figueira: *How to Reform the EU Budget? Going Beyond Fiscal Federalism*, Utrecht University, 2007, p.13

solely an inter-governmental component, but also a citizen component, formally enshrined by the letter of the Treaties as well as by the existence of a European Parliament directly elected by the EU citizens.

Neither is the perspective based on *opportunness* considerations very convincing. It has thus been claimed that the more prosperous member states dispose of the means, which the others lack, for supporting their laggard regions. Yet, this argument only shows the possibility of changing the allocation key for accessing structural funds, not also the necessity of doing so. An argument common to several studies highlights the positive virtues of a better focus of Community funds, which the reduction of the pool of potential beneficiaries is somehow supposed to bring about. Figures matter, however, and the supporters of the concentration of funds do not offer any estimate of this effect, although some of them refer to potential efficiency gains deriving from allocating money at country level and letting the countries themselves decide where to invest them.[11] There are, however, rather contradictory assessments of the effectiveness of assistance targeted at regional level. On the one hand, there are studies which found that the structural funds have contributed to reducing inter-country gaps, but failed to correct intra-country disparities between rich and poor regions.[12] Other authors emphasize that the efficiency of structural funds was greater in the poor regions than in the richer ones.[13]

[11] Marco Buti, Mario Nava: *Towards a European Budgetary System*, EUI Working Paper RSC 08/2003, p.13

[12] Jacques Le Cacheux: *Future of the EU Budget and Financing of Common Policies,* in "What Kind of European Budget for 2013?", CEES & IFRI, Paris, 2005, p.55

[13] Filipa Figueira, *op.cit.*, p.13

Somewhat unexpectedly, the perspective which seems to offer the most persuasive arguments in favour of changing the allocation method of structural funds is the *strictly political* one. It is, thus, debatable whether the kind of direct links established between the Commission and other Community institutions, on one side, and the regions from the member states, on the other side, has only positive repercussions. Without speculating on the extent to which such direct links can co-exist without tensions with national sovereignty considerations, it has to be mentioned that, very often, they create "complicities" *sui generis* which are not always coincident with the priorities of the national authorities. Besides, the current possibility of granting financial assistance also to regions located in prosperous countries ehances the transactional climate in which structural funds are apportioned, resulting in complex arrangements and *ad hoc* designations meant to appease all member states, to the detriment of satisfying the requirements of opportunness, effectiveness and efficiency of Community budget interventions. Such "special measures" have been on a rise, their number growing from 13 in the 2000-2006 programming period (with a financial envelope of 5,6 billion EUR) to 18 in the current multiannual financial framework (with a budget support increased to 10 billion EUR).[14] For their largest part, these arrangements target sub-regions from the wealthiest countries (Corsica and Hainaut in France, Bavaria in Germany, Burgenland in Austria, Northern Ireland in the UK), which would not have been eligible for receiving structural funds according to standard criteria.

[14] Peter Becker: *Reforming the European Financial Framework,* EU-Consent Working Paper no.5, January 2008, p.4

Other internal policies

The number of internal policies receiving some sort of financial support from the Community budget is impressive (27 in 2004), and this excessive dispersion is a problem in itself. Before attempting to generate additional funds by amputating the main two expenditure chapters, a reexamination of the need to finance such a large number of areas (e.g., fishing, culture and audiovisual, information and communication, European political parties, nuclear security, consumer protection, labour market, statistics etc), of which many only get symbolic amounts, apt at most to increase the visibility of the Union in the eyes of its citizens, would be very useful. Selecting those areas for which Community financing is appropriate entails, first, an assessment of their relevance for achieving the Union's goals and, secondly, an analysis of the need that their funding be carried out at Community level based on the principles of fiscal federalism, as well as of those validated by the European construction process (subsidiarity, proportionality, additionality).

A first category of internal policies entitled to Community financing are those destined to enhancing the competitiveness of the European economy, that is, primarily those for R&D, education and TENs (in particular for transport). These areas are closely associated with the attainment of the Lisbon Strategy, while also displaying features which firmly justify a supranational approach: important cross-border externalities and relatively homogeneous national preferences. The homogeneity of preferences is lowest in the case of education, but it does increase with the level of education, becoming fairly high in the case of university-level studies, the most relevant for economic growth and, hence, the only for which Community financing would be justified.

The Community budget is not, however, the only form of supranational intervention which is useful in these areas, nor necessarily the most important. A regulatory approach aiming at limiting the overlaps of R&D and infrastructure projects or at harmonising the university *curriculae* is not only very desirable, but also an important source of savings and rationalising the use of funds, irrespective of their origin.

While financing these areas through the Community budget is justified in the light of the above-mentioned criteria, this funding would need, in order to fully exploit its virtues, to fulfill some conditions, the most important being its quantitative adequacy. The funding of R&D activities and, even more so, of important infrastructure projects requires reaching a certain critical mass, which the Community budget, with its current size, would not be able to ensure even if entirely allocated to such projects. For instance, the current level of national R&D expenditure by member states is comparable to the whole Community budget.[15] Besides, fully exploiting the advantages of a centralised financing requires that the selection of the funded projects be impartial and insulated from political influences, something which cannot always be taken for granted, as demonstrated by the the fact that priorities in the Research Framework Programmes are the result of political negotiations in the Council[16], as well a by the intense lobbying of Member States with respect to the itineraries of the trans-European transport corridors.

Since the Community budget does not seem able to satisfy to a very large extent the requirements (both quantitative and

[15] Torbjörn Danell, Anders Östhol, *op.cit,* p.71

[16] Daniel Gros, Stefano Micossi : *A Better Budget for the European Union. More value for money, more money for value*, CEPS Policy Brief No.66, February 2005, p.6

qualitative) of financing these areas, one can legitimately question whether a relatively limited diminution of the quantitative inadequacy of the resources devoted to them justifies the abandonment of a sector that is both important and not deprived of good prospects like agriculture and/or the radical reshuffle of the rules of the game in another area (regional development) which is generally regarded rather as a success of the European integration process to date.

Other internal policies of importance for reaching the Union's goals are environment protection, justice and home affairs, as well as social policy. The funds currently earmarked for them are very limited (on the face of it, in aggregate, just 1.4% of the 2008 budget), though it should be mentioned that resources serving these purposes are included in other expenditure items as well (environment – in the chapter covering agriculture; and social policy in that devoted to cohesion). There are, however, no convincing arguments in favour of a substantial increase of these outlays, because of two important reasons:

- the regulatory component is, in their case, largely prevailing over the financial one (and, in the case of environment, the financial resources have a well-defined origin, not necessarily linked to the public budgets, encapsulated by the "polluter pays" principle); and
- the high degree of heterogeneity of national preferences significantly narrows the scope of supranational interventions that would be both desirable and useful.

Bearing in mind these considerations, proposals like the one of the "Sapir Group"", to the effect of setting up a European "restructuring fund", meant to alleviate unemployment problems triggered by corporate relocations induced by the functioning of the single market are difficult to grasp, the more so that even their authors acknowledge that most of the resources destined to this end have to come "by far ...through the national social security systems".[17] The fact that, albeit in a very dilluted way, this idea has made its way by the inclusion of a modest "solidarity fund", endowed with 500 million EUR, in the current multiannual financial perspectives, is rather disappointing. We can, hence, legitimately ask what use (let alone value added) other than visibility can Community financing have in this case, and whether this benefit (rather dubious and anyway non-quantifiable) justifies giving up other benefits, which Community financing is able to generate to a larger extent.

Reform of the Community budget revenues; the "European tax"

The large and growing prevalence (likely to reach 90% by the end of the current programming period) of resources originating, in fact, in national contributions has become a major weakness of the Community budget. It further erodes the financial autonomy of the Union as it favours an excessive focus of national authorities on "extracting" the most favourable net balance, even at the cost of sacrificing actions important for achieving EU's objectives, and moreover it reinforces the intransigence of Member States as regards keeping in place rigid budgetary rules, concerning the requirement of annual budget balancing, as well as the impossibility to make use of the surpluses which might emerge during the execution of the budget.

---

[17] André Sapir: *Going for Growth: An EU Budget for the 21st Century*, The Lisbon Council, Policy Briefing, Brussels, 28 June 2005,p.14

The *ad hoc* adjustments of the contributions of some members, which tend to become more frequent and to have larger financial stakes, further dents financial solidarity within the Union.

Finally, the current mix of traditional own resources and either explicit ("GNI resource") or implicit ("VAT resource") national contributions is rather opaque for EU citizens, who are, ultimately, the contributors to the Community budget, and hence does not allow them to understand what is their stake in this instrument to the same extent that they can do relative to the national budgets.

Absent a radical reform of the way of constituting the resources of the Community budget, any changes operated will be mere palliatives, unable to improve more than marginally the current situation. Worth mentioning, in this respect, are two older initiatives of the Commission, which have not even come to be discussed by the member states:

- a proposal for the establishment of a generalised corrective mechanism for "excessive" net contributions (tentatively defined as over 0.35% of the national GDP), which would have had at least the merit of instituting a uniform treatment for all countries confronted with similar problems and would have been less confusing than the plethora of *à la carte* regimes being applied currently;
- the idea to base the "VAT resource" on the amounts effectively collected by the member states on behalf of this tax, without completely harmonising the tax base (since the difference between the "actual" and the current "national" tax bases is fairly small)[18]; it should be mentioned, however, that this solution is likely to elicit avoidance tactics from the member states, which might have recourse to a "rebalancing" of their national tax systems, by putting a stronger accent on those types of taxes not affected by levies due to the Community budget.

A substantial reform of EU budget's revenue side can only occur by moving to a genuine "European tax", conceived and destined wholly to this budget. Such an undertaking is confronted with many obstacles, hence the perspective of carrying it out cannot be very close.

Political reticences are the most serious impediment, the more so that they can be reinforced by opportunness considerations. Indeed, the current financing system of the Union has the big advantage of being able to fulfill some important taxation principles:

- it is quantitatively adeqaute and predictible, because it ultimately rests on a resource (the "GNI resource") which is, by design, perfectly elastic to the level of expenditure decided;
- the collection of most of its resources is virtually cost-free, as it only entails transfers from the national Treasuries;
- it is fairly equitable, since national contributions are almost proportional with the wealth of the member states, and this feature could be improved even without a radical reform, by adjusting the current complex system of "rebates" (which, for instance, allows the UK to "pay" the equivalent of just 0.7% of its GDP, whereas the contribution of practically all other member states revolves around 1% of GDP).

It should nonetheless be mentioned that the adequacy of resources that the current system provides is not cast in stone, but dependent on the size of the Community budget. One should expect that any attempt to

[18] Carlo Altomonte, Mario Nava: *Economics and Policies of an Enlarged Europe*, Edward Elgar, 2005, p.224

significantly increase it would be fiercely opposed by the member states, precisely because the financing mechanism is closely linked to *de facto* national contributions.

From a political standpoint, moving to a genuine European tax, which represents more than the "traditional" own resources, cannot fail to be perceived as a loss of national sovereignty in an area (taxation) essentially and closely linked to the historical origins of this concept. It is true that, as it was pertinently noted, a transfer of sovereignty in an area with similarly high stakes (currency) has already occurred within the EU.[19] There are, however, important circumstantial differences leading to a higher sensitivity of the fiscal area: the closer link to citizens (in their capacity of taxpayers) and the credibility of the supranational institutions to which the national prerogatives revert. If the European Central Bank is an authority enjoying the respect and appreciation of its national peers, to a good extent also because the latter are directly involved in its decision-making, the relationship between national parliaments and the European Parliament is less harmonious. The fact that they are, ultimately, competing with each other, magnifies the mutual antipathy, and the institutional shortcomings of the European Parliament (lower quality of the pool of politicians from which its members are recruited, absence of a credible structuring along ideological lines, since strictly national interests often prevail over allegiances to the "political families") make it a less known and less legitimate entity in the eyes of the national parliaments, hence not fully deserving to be entrusted with decision-making prerogatives concerning the taxation of the citizens of the member states.

Another serious potential problem of the European tax is that, reasonably speaking, its collection will remain under the responsibility of national tax authorities. Yet, the effectiveness, diligence and even honesty of the latter varies a lot from one member state to another, hence the risk of widely different degrees of exploitation of existing national tax bases, to the disadvantage of those countries endowed with a competent fiscal administration.

Other objections to the establishment of a European tax are more specious and easier to correct, but their mere existence reinforces the oppositions to such an initiative. This is the case, first, of the likelihood that such a tax, to the extent that it replaces the fully proportional "GNI resource", worsens (relative to the current situation) the inter-national equity of mobilizing the revenues of the Community budget, though it should be mentioned that, at the same time, inter-personal equity might be well served.[20] Also, one can fear a negative reaction on the part of the citizens towards what they might perceive as "a new tax", although there are ways to ensure such a rebalancing between the European and the national taxes that would hold constant the fiscal burden exerted on taxpayers.

On the other hand, the establishment of a European tax, besides facilitating the better orientation of the Community budget towards financing actions in the common interest and, potentially, even the significant increase of this financing, may diminish the distorsions affecting the proper functioning of the single market (e.g., through the higher degree of fiscal harmonisation which it would inherently

[19] Nicolas-Jean Brehon: *European Tax,* in "What Kind of European Budget for 2013?", CEES & IFRI, Paris, 2005, p.126

[20] Eulalia Rubio: *The Case for a European Tax: Benefits, Practical Aspects and Options for Endowing the EU with a Veritable Own Resource*, Notre Europe, January 2008, p.2

entail) and could also allow the use of the fiscal levers as supporting tools for reaching other goals deemed desirable (e.g., discouraging consumption detrimental to health or to the environment, stimulating "virtous" behaviours etc). It is true that, in the latter case, an unavoidable trade-off with the size of the collected resources exists. Another argument in favour of a European tax derives from the fact that the higher involvement of Community citizens that it would engender should enhance the sentiment of accountability of the "budgetary authority", thus contributing to more discipline and restraint in spending public funds.[21]

Finally, the introduction of a European tax would have another implication, which cannot be unambiguously defined as either positive or negative, as its connotations are inherently subjective. This is because taxes are, for taxpayers, both an element identifying one as a member of a community and a factor of constraint. Yet, European citizens are far from having identical perceptions as to which of the two considerations prevails.

The requirements that a European tax should satisfy have been extensively analysed, both in the academic milieux[22], as well as by the Community institutions (the European Commission, in a document released in October 1998[23], and the European Parliament, in the more recent "Lamassure Report" of March 2007)[24]. Most of these requirements stem from the classical taxation principles, that is:

- *adequacy and stability* of the resources yielded by the tax, considerations which are the more important for the Community budget the longer it will be subjected to the constraint arising from the compulsory annual budget balancing;
- *fiscal neutrality*, which in the particular case of the Community budget may be regarded as a stronger requirement, given that it would mean protecting from an additional tax burden not only the member states, but also their citizens;
- *fiscal equity*, which also has in the case of the Community budget a dual component (inter-national and inter-personal, respectively), with the crucial caveat that ensuring it at both levels simultaneously is very difficult, if not outright impossible, in practice;
- *collection cost*, which must remain reasonable relative to that of the current resources, while noting that, if some particular type of taxes is chosen, this cost might even be diminished.

Other requirements derive from the special nature of this instrument:

- *visibility,* both for the EU citizens, so as to enhance their feeling of belonging to a community based on important values, as well as for their representatives (the MEPs), which might therefore get closer involved in the assessment and control of the budget's execution;
- *simplicity*, able to make it easier to be understood (and, on this basis, accepted) by taxpayers;
- *compatibility* with the principles of the single market; and, possibly,
- *positive contribution* to the fulfillment of other EU goals.

[21] Peter Becker, *op.cit.,* pp.11-12

[22] For a comprehensive inventory of these requirements, see Philippe Cattoir, *Tax-based own resources: An assessment*, Taxation Papers, DG ECFIN, Working Paper no.11/April 2004, p.7-13

[23] apud Nicolas-Jean Brehon, *op.cit.,* p.124

[24] *L'avenir des ressources propres de l'Union européenne,* Résolution du Parlement européen, 29 mars 2007, par.29-30

Finally, the identification of the most adequate kind of European tax can be informed also by the principles of fiscal federalism, which favour the centralised setting and collection for those taxes levied on the most mobile tax bases, so as to minimise the risk of harmful tax competition. This precept, however, needs to be qualified in light of the degree of homogeneity of national preferences which, for instance, is remarkably low as concerns personal taxation.

Some authors have even identified some "errors of design" which should be avoided, such as the creation of a new, untested, kind of tax, or the choice of "symbolic" taxes, with low yields.[25]

It is obvious that there can be no single tax able to satisfy, simultaneously and to a reasonable degree, such a wide range of requirements. Hence, it might be conceived that, instead of a single European tax, a "Community mini-fiscal system" be put in place, consisting of several types of taxes, which could mutually compensate their respective weak points.

Having said this, not all conditions enumerated above are equally important. The adequacy criterion, for instance, is absolutely crucial, though it should not be interpreted rigidly, in the sense that it has to be fulfilled by one single tax. Putting in place several European taxes is not to be excluded, but there are fairly tight limits as to how many taxes dedicated to the Community budget might exist. Particularly important is also the requirement of compatibility with the rules of the single market, especially with a view to avert the introduction of additional distortions in its functioning, while the identification of taxes that could contribute to the removal of some of the existing distortions would represent a definite plus. The equity considerations are also important, not only because they serve values important for the EU, but also because neglecting them too much could lead to the rejection by the member states and/or by the European Parliament of those taxes that do not fulfill them to a reasonable degree.

As concerns the other, less important, requirements, a distinction can be made between those which, if completely disregarded, might generate oppositions difficult to overcome (collection cost, visibility, simplicity) and the criterion which, if met to a high degree, might tip the balance in favour of those taxes displaying this feature: contribution towards reaching other objectives of the Union.

There is a large number (almost a dozen) of taxes identified, by studies and debates carried out in the last years, as potential sources of revenue dedicated to the Community budget. Some of these are weak candidates, however, as they are unable to fulfill the crucial requirement of the adequacy of resources yielded:

- central banks seignorage;
- communication tax (with various possible bases, which can co-exist: telecommunications, radio-TV broadcasting, road vehicles);
- tax on financial transactions;
- tax on air transportation, with a base adjusted according to fuel consumption and/or polluting emissions;
- tax on "relocated" economic activities.

Apart from this important common shortcoming, some of the taxes listed above also display other serious weaknesses from the standpoint of other requirements, which further reduces the desirability of them becoming revenue sources for the Union's budget. The tax on "relocated" activities would go directly against the principle of free

[25] Nicolas-Jean Brehon, *op.cit.,* p.128

movement of capital, which should exclude it from the outset from any serious consideration. The tax on financial transactions, although it could theoretically bring substantial revenues, is very vulnerable to the flight of capital towards extra-European fiscal jurisdictions and/or to the elaboration of complex financial instruments aiming at reducing the tax base, hence its yield can be expected to decline rapidly. Moreover, stock exchange transactions tend to be volatile (hence the stability of revenue would suffer), international equity would be precarious because the preference for equity versus debt financing differs a lot among EU member states, and its visibility for the largest part of citizens is quasi-inexistant. Seignorage, at its turn, is an invisible and incomprehensible source for the population, and its surrendering to the budget might dent the independence of central banks, as it would constrain their capacity to intervene on the market for purposes related to price and/or financial stability.

Under these circumstances, there are five kinds of taxes that would deserve a more thorough assessment, namely:

- dedicating a portion of the national VAT rate applied by the Member States to the Community budget, most logically after an additional harmonisation of the tax bases;
- replacing national corporate income taxes with a European corporate income tax ("EUCIT"), levied on a common (and, for transnational corporations, consolidated) tax base, which would have the additional appeal of correcting some important distortions to the functioning of the single market;
- creating a European tax on personal income (or, alternatively, transferring to the community budget a portion of the national tax rates, which would however require a harmonisation of the tax bases difficult to imagine against the background of the enormous heterogeneity of direct personal taxation in the EU member states)[26];
- levying a tax on energy consumption, which could also serve the purpose of stimulating energy saving;
- a "vice tax" (on tobacco and alcohol consumption), most likely in the form of an excise supplementing those currently applied, which might also discourage harmful consumption habits.

As concerns the latter two types of taxes, there is an obvious tension between the extra-fiscal goals that they could push forward and the requirement of a sufficient flow of funds for the budget. Moreover, the "vice tax" would be extremely inequitable from an international perspective, as national consumption patterns for tobacco and alcohol vary enormously among member states.

A synopsis of the degree to which the above-mentioned taxes would fulfill the various requirements is provided below. Because some criteria are more important than others, the scores corresponding to them have been weighted by an (admittedly, non-rigorous) coefficient of 1.5. The criterion "stabillity" was not deemed important, because its influence can be mitigated by relaxing the rigid condition of annual budget balancing. Also, the neutrality criterion was disregarded because all types of taxes can be so devised as to satisfy it.

---

[26] The size of this gap is indeed impressive: the contribution of personal income taxes to national budget revenues in the Member States varies from just 3-4% (in countries like Poland or Slovakia) and over 25% (in Denmark). Apud Daniel Gros and Srefano Micossi, *op.cit.,* p.11

	VAT	EUCIT	Personal income	Energy tax	"Vice" tax
Adequacy	++	++	++	+	+
Stability	++	-	++	++	++
International equity	+	0	+	0	-
Inter-personal equity	-*	+	+	-*	-*
Collecion cost	+	+	-	+	+
Visibility and simplicity	+	0	++	++	+
Acquis compatibility	+**	++	0	+*	+*
Reaching other goals	0	0	0	+	+
Non-weighted score	**8**	**5**	**7**	**7**	**5**
Weighted score	**9**	**7**	**8**	**8**	**5.5**

* based on the assumption that indirect taxes are, by definition, regressive
** because it would require an additional harmonisation of the tax base, hence it would reduce existing distortions

Based on the criteria considered and the degree to which they are being fulfilled by the various kinds of taxes explored, the tax that would seem the most appropriate for serving the EU budget is VAT.

BIBLIOGRAPHY

Becker, Peter: *Reforming the European Financial Framework*, EU-Consent EU-Budget Working Paper 5, January 2008

Begg, Iain: *Future Fiscal Arrangements of the European Union*, Common Market Law Review 41:2004

Begg, Iain: *The EU Budget: Common Future or Stuck in the Past?*, CER Briefing Note, February 2004

Begg, Iain: *The 2008/2009 Review of the EU Budget: Real or Cosmetic?*, CESifo Forum 1/2007

Brehon, Nicolas-Jean: *A Review of the Community Budget Fifty Years on …*, Fondation Robert Schuman, European Issues no.58, April 2007

Brehon, Nicolas-Jean: *European Tax*, in "What Kind of European Budget for 2013?", CEES & IFRI, Paris, 2005

Buti, Marco, Mario Nava: *Towards a European Budgetary System*, EUI Working Paper RSC 08, 2003

Caesar, Rolf: *An EU Tax? – Not a Good Idea*, Intereconomics, September/October 2001

Cattoir, Philippe: *Tax-based own resources: An assessment*, Taxation Papers, DG ECFIN, Working Paper no.11/April 2004

Collignon, Stefan: *Fiscal Federalism in Euroland,* in "What Kind of European Budget for 2013?", CEES & IFRI, Paris, 2005

Danell, Torbjorn, Anders Osthol: The EU Long-term Budget. Reform and New Priorities, ITPS, January 2008

Devoluy, Michel: *Le budget communautaire et les politiques communes*, in “Les Politiques economiques europeennes”, Ed.du Seuil, mai 2004

Dullien, Sebastian, Daniela Schwarzer: *Integrating the Macro-economic dimension into the EU Budget*, EU-Consent Working Paper No.4, August 2007

Durand, Guillaume: *Putting EU finances in perspective*, The European Policy Centre, March 2004

Enderlein, Hendrik et al: *The EU Budget. How Much Scope for Institutional Reform?*, ECB Occasional Paper No.27, April 2005

Figueira, Filipa: *How to Reform the EU Budget? Going Beyond Fiscal Federalism?*, Utrecht University, 2007

Fitoussi J.-P, Jacques Le Cacheux : *Budget europeen: les mirages du juste retour*, in “L’Etat de l’Union Europeenne 2007”, Fayard & Presses de Sciences Po, 2007

Gros, Daniel, Stefano Micossi: *A Better Budget for the EU*, CEPS Policy Brief No.66, February 2005

Ines Hartwig: *The Agenda 2007 Proposals: Evolution or Revolution?,* EIPA Maastricht, Eipascope 2004/2

Heinemann, Friedrich: *The EU Budget Must Get Rid of the Distribution Burden*, Intereconomics, September/October 2001

Hix, Simon: *The Budget of the European Union*, in “The Political System of the EU”, Palgrave MacMillan, 2005

Inotai, Andras: *Reflections on the Future of the EU Budget, with Special Reference to the Position of the Net Beneficiary Countries*, Romanian Journal of European Affairs, 7:3, October 2007

Jovanovic, Miroslav N.: *Budget of the European Union*, in “The Economics of European Integration. Limits and Prospects”, Edward Elgar, 2005

Le Cacheux, Jacques, *Future of the EU Budget and Financing of Common Policies*, in “What Kind of European Budget for 2013?”, CEES & IFRI, Paris, 2005

Lefebvre, Maxime: *The European Budget at the Test of Enlargement, in* “What Kind of European Budget for 2013?”, CEES & IFRI, Paris, 2005

Mrak Mojmir, Vasja Rant: *Financial Perspective 2007-2013: Domination of National Interests*, EU-Consent Working Paper No.1, July 2007

Muten, Leif: *The Case for an EU Tax Is Not Convincing, The EU Long-term Budget. Reform and New Priorities*, Intereconomics, September/October 2001

Nunez Ferrer, Jorge: *EU budget and policy reforms to promote economic growth,* ITPS Working Paper 2007:15

Peet, John: *EU budget: A way forward*, CER Policy Brief, July 2005

Rubio, Eulalia: *The Case for a European Tax: Benefits, Practical Aspects and Options for Endowing the EU with a Veritable Own Resource*, Notre Europe, January 2008

Sapir, Andre: *Going for Growth: An EU Budget for the 21st Century*, Policy Briefing, Brussels, 28 June 2005

Schneider, Ondrej: *The EU Budget Dispute – A Blessing in Disguise?* IES Working Paper 14/2007

Schreyer, Michele: *The Own Resources System Needs Rethinking*, Intereconomics, September/October 2001

Tarschys, Daniel: *Agenda 2014: A Zero-Based Approach*, SIEPS, European Policy Analysis, October 2007

xxx: *A fair solution to the UK rebate conundrum*, The European Policy Centre, July 2004

xxx: *L'avenir des ressources propres de l'Union europeenne*, Resolution du Parlement europeen, 29 mars 2007

xxx: *Reforming the EU Budget, Changing Europe*, Communication from the Commission, SEC(2007)1188 final, Brussels, 12.9.2007