



EUROPEAN COMMISSION

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Jacek Dominik's statement on the revision of member states' gross national income (GNI)

Press conference

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It is rather unusual for the Commission to give a press conference on the issue of the end-of-year VAT and GNI balances but recent public statements and press report justify a more detailed explanation of the technical and political aspects of what the Commission has presented.

Let me start with the **technical side**:

The EU budget is financed from various sources, the most important of them is the so-called GNI resource which accounts for roughly 75% of the EU budget. The GNI resource operates in a very simple manner: an amount to be financed will be divided by all Member States according to their share in the Union's GNI.

How is the GNI established? **Member States, including the UK, notify their GNI data to Eurostat** and often make corrections to their GNI data which is then checked and verified by Eurostat. This is a very technical process, driven by statisticians in all Member States and Eurostat. The GNI committee has validated the correctness of the most recent notified GNI data by Member States on 22 October. The contributions to the EU budget, which have now come under discussion, are a direct result of these notifications of up-to-date GNI data.

The fact that **this year's adjustment sees such big changes of contributions** to the EU budget for some member states is because this year's adjustment includes GNI recalculations dating back to 2002 for most member states and to 1995 for one, as there were a number of unresolved issues that had accumulated over the last years. The decision to resolve these historic issues now results from a joint effort of member states in cooperation with Eurostat. With all these issues now cleared, future such corrections will again be rather minor, as they were in recent years. Some member states have consistently reported too low values for their GNI over the last years; this obviously explains the size of some adjustments upwards.

The **good news of the current adjustment** is that the total outcome of these operations is a return of some EUR 420 million back to the Member States, which stem from slightly better than expected **customs revenues**.

The Commission has no discretion to change or disregard the notified and verified GNI figures but budgets the difference of GNI contribution on the basis of this new GNI data. The high degree of automaticity of this process is underlined by the fact that it does not require a decision by the budgetary authority but it can be applied directly by the Commission.

This process is **completely transparent for Member States**. We have informed Member States, including the UK, on **Friday 17 October** about the impact of their GNI notifications on their EU budget contributions, so **one week before the statements of David Cameron at the European Council**. We have had no reactions of any Member State in the days following this publication.

Let me now turn to the **political side**:

The contribution to the EU budget based on the GNI-key is a zero-sum game. Let's say an amount of 100 needs to be financed by the EU budget. If one Member State has paid 10 but should have in fact, based on the most up-to-date and corrected GNI data, paid 15, all other Member States have paid pay 5 too much and have a right to get "their money back". **Therefore, the distribution of the GNI contributions is essentially about fair burden sharing**. Let me be very clear: if the UK does not pay the amounts correctly established, all other 27 Member States will be penalised because they will not get reimbursed for the contributions they paid in excess. This is not money for "Brussels", this is money for example for Greece, Portugal, and Ireland, and other countries, some of which have significant fiscal challenges. This fair burden sharing is one important political side.

Another one is **fair play**: There are many of these technical adjustments and sometimes they are in favour of the UK. For example, in 2014, the UK rebate was revised upwards by EUR 567.3 million, which is financed by all other Member States. This adjustment was included in Amending Budget 4/2014. Similarly in 2013, the UK rebate was revised upwards by EUR 436 million; this was budgeted in Amending Budget 6/2013. **No Member State has refused to pay this increase of their contribution in favour of the U.K.**

Let me point out in this respect that the **UK will benefit from the UK rebate for the additional payments in 2014**. This will be budgeted in May 2015 when the UK rebate is recalculated.

So, in a nutshell, these technical adjustments happen regularly, sometimes a Member State pays more, sometimes it pays less. It is a process that has never been contested in the past, I strongly warn against politicising it now.

Having been a deputy finance minister myself, I will admit that the differences of this year have been very significant as they cumulate changes over many years. And I can of course understand that paying significant increases to the EU budget at the end of a budgetary year can be challenging. I can therefore say that the Commission will look into the process and deadlines for updating the contributions on the basis of the GNI/VAT keys in the future and see if the system can be improved, in particular with regard to the problem of payments very late in a budgetary year.

Let me **conclude my remarks** today by saying again that this is indeed a technical and objective process which the Commission has been tasked to administer by law. It has worked very smoothly over the past years and I can only again warn against politicising it.