

Working Group IX

Working document 15

Working Group IX "Simplification"

Subject: “Non-paper on the future budgetary system in the European Union”
- Paper by Mrs Lena Hjelm-Wallén and Mr Kenneth Kvist

Members of Working Group IX "Simplification" will find hereafter a paper by Mrs Lena Hjelm-Wallén, member and Mr Kenneth Kvist, alternate member of the Convention.

NON-PAPER ON THE FUTURE BUDGETARY SYSTEM IN THE EUROPEAN UNION

Input to the European Convention - With a view to the meeting of Working Group IX on Simplification on 8 November, Mrs. Lena Hjelm-Wallén and Mr. Kenneth Kvist, Members of the Convention, would like to present the following paper on the future budgetary system.

The future budgetary system in the EU should be based on the concepts of *long-term stability*, *accountability* and *institutional balance*. In order to create such a system, a top-down approach to the budgetary process is needed. This implies budget ceilings and other institutional frameworks that ensure budget discipline and responsible decision-making by institutions entrusted with handling the financial resources of the Union. These principles are essential to prevent budget crises and to ensure cost control in the daily implementation of the EU budget. In other words, they are necessary to create a well functioning and legitimate European Union.

Consequently, the principles described must be reflected in the financial provisions in the Treaty. Given this, we draw the following conclusions as regards the future budgetary system.

- It should be stated in the Treaty that a multi-annual budget ceiling, i.e. a financial perspective, must be set at fixed intervals. The ceiling should be set by the Council. It should also be stated that this multi-annual ceiling shall be respected when budgetary decisions are taken in the annual budgetary procedures or elsewhere.

The aim of this proposal is to give the financial perspective greater weight, which in turn would enhance financial stability and budget discipline.

- Maintain the current inter-institutional balance in the annual budget process. The current distribution of budgetary power between the Council and the Parliament, combined with a financial perspective and the Maximum Rate of Increase (art. 272.9 in the Treaty) strengthens stability in the system as well as between the institutions. Accordingly, the distinction between compulsory and non-compulsory expenditure should be kept.
- Similarly, the current distribution of institutional responsibility for determining budget revenues lends democratic legitimacy to the EU budget and should be maintained.
- Further mechanisms that would secure and strengthen a top-down based budgetary procedure should be examined and discussed in relation to IGC 2004.