

Working Group IX

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Working Group IX on Simplification

Subject: “Budget Procedure”

- Paper by Mr Méndez de Vigo and Mr Wuermeling

Members of Working Group IX “Simplification” will find hereafter a paper by Mr Méndez de Vigo, member of the Convention and Mr Wuermeling, alternate member of the Convention.

Budget Procedure

Contribution to the working group IX "Simplification"

by Joachim Wuermeling MEP and Iñigo Méndez de Vigo MEP

Introduction

The current budgetary procedure reflects the existing interinstitutional structure, both concerning the legislative procedures (including for multiannual programmes) and the distribution of competences concerning revenue and expenditure.

Therefore, all reflections on the simplification or reform of the budgetary procedure must take into account both the legislative procedures and the distribution of budgetary competences. **The main objective should be to create a balance between the Council and the Parliament. The Member States should have the last word over the revenue, the Parliament over the expenditure.**

In recent years the EU has become responsible for a number of new policies (e.g. in the field of internal policies; external actions). The Treaty (TEU) states in article 6, par. 4 that '*the Union shall provide itself with the means necessary to attain its objectives and carry through its policies*'. However, the necessary resources have not been made available. The Constitutional Treaty should establish a budgetary regime which enables the Council and the Parliament to provide the Union with the necessary resources for the respective tasks.

It should be a joint interest of Member states and Council as well as European Parliament and Commission to meet the expectations of the citizens which are fostered by political decisions.

The non-Treaty based rules represent a successful practise which should be further developed. In the future the basic rules should be integrated in the Treaty. Room should be left for the two arms of the budgetary authority, Council and Parliament, to exercise budgetary flexibility throughout the financial planning period and improve the interinstitutional procedure.

With an European constitution, it is time for establishing a stronger link between the people of Europe and the EU-budget by enhancing democratic decision-making and transparency.

Proposals

1. The revenue regime should stay a decision of the Council and the Member States. In this context the Parliament should be involved in the form of an own opinion and a conciliation.
The Council as the representation of the Member states would remain with the final say on the revenue side and its legislative powers in the co-decision procedure.
2. By contrast the expenditure and the allocation of the credits should become a sole decision of the Parliament. The distinction between compulsory and non-compulsory expenditure should be lessened and Parliament should have the final say on all expenditure of the EU-budget. The Council should be involved in this process.
3. Once the distribution of budgetary competences has been revised between Parliament and Council, the budgetary procedure could be streamlined and simplified. In this case it would be possible that, on the basis of a Commission proposal, Parliament will have a first reading. The Council will be involved in this process. A conciliation with Council would be held before Parliament's second reading thus concluding the budget procedure. The President of Parliament would declare the budget as finally adopted. It could be considered whether a first reading of Parliament is necessary.
4. The current Interinstitutional Agreement including the Financial Perspective ensures transparency and continuity and provides a medium-term financial and budgetary perspective. Compared to this, the Treaty provisions have only a one-year perspective. Nonetheless, the agreement in place has serious disadvantages (rigidity and length of procedures; lack of flexibility between the categories of expenditure and the overall frame; classification of expenditure). A modernised and dynamic concept of a medium-term financial planning instrument should be developed on the basis of the existing instrument of financial perspectives. It should cover the five-years mandate of the European Commission and the Parliament. The Constitution Treaty should set up the legal base for this five-year financial planning instrument and of the interinstitutional agreement. It should be jointly agreed by Parliament and Council in a simplified co-decision procedure.
5. Other aspects which should be considered:
 - The European Union shall not create debts.
 - The European Development Fund should be incorporated in the EU-budget.

- The majorities needed in Parliament's budgetary procedure (currently three different provisions) should be revised in view of a harmonisation.
- The Financial Regulation as the rules of procedure for the budget as well as the financial management and control must come under the codecision procedure.
- The budgetary principles should than be reviewed in the light of the new budgetary procedures and the redistribution of competences.

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