

CIRCLE III

Working Document 15

"Discussion circle" on own resources

Subject : Note from Lord Tomlinson on the Decision making Procedure for the Ceiling and System on Own Resources

Members of the "Discussion circle" on own resources will find hereafter a note by Lord Tomlinson, alternate Member of the Convention.

NOTE FROM LORD TOMLINSON ON THE DECISION MAKING PROCEDURE FOR THE CEILING AND SYSTEM OF OWN RESOURCES

The own resources ceiling is of constitutional importance to member states of the Union, which should be reflected in a decision making procedure which continues to require unanimity in the Council and ratification by national Parliaments. It is consistent with the limited conferral of competence on the Union institutions, through the Constitutional Treaty, and which itself rightly requires unanimity/ national ratification, for the Member States to continue to set an overall limit on the Union budget by unanimity and subject to ratification by national parliaments.

But what is true for the Member States as a whole is also true for each and every Member State individually. In each Member State, the democratic legitimacy of the Union budget depends on there being adequate control over the amount of overall Union revenues for which the citizens of that Member State are ultimately responsible. The amount raised from each Member State on behalf of its citizens is determined by the system of own resources just as much as by the own resources ceiling. It is therefore essential that unanimity/ national ratification is retained for any changes to the system as much as any changes to the ceiling.

Given that Member States' parliaments are - and should remain - responsible for deciding on the overall burden of taxation, national parliaments should retain that control over the system which determines budget revenues.

Indeed, the citizens of each Member State have a legitimate interest in the *net* budgetary burden faced by that Member State, as well as the *gross* amount raised from that State. The problem of budgetary imbalances was, of course, recognised at the Fontainebleau European Council in 1984, but also in all subsequent reviews of EU financing, including at the Berlin European Council in 1999. Maintaining unanimity and national ratification of decisions on the system of own resources is a vital national safeguard for net as well as gross budget contributions.

It is inconceivable that Member States or national parliaments could sanction open-ended commitments to the Union budget - which would be the result of removing the requirement for unanimity and national ratification of changes to the system as well as the ceiling of own resources - and still guarantee Union financing in perpetuity, as they do at present. Any change to the current decision making procedures would therefore inevitably involve a weakening of the current guarantee of adequate Union financing, which - as noted in the Secretariat's discussion paper - is the main purpose of the resources system. So as well as damaging the democratic legitimacy of the budget, this would be a significant step backwards in the effectiveness of the current financing arrangements.