

**CIRCLE III**

**Working Document 16**

**"Discussion circle" on own resources**

**Subject : Paper by Mr Matti Vanhanen, Member of the Convention**

Members of the "Discussion circle" on own resources will find hereafter a paper from Mr Matti Vanhanen, Member of the Convention.

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**Contribution to the Discussion Circle III on own resources  
by Mr Matti Vanhanen, Member of the Convention**

**Comments on the secretariat working document 8**

First of all I am somewhat astonished with the overall tone of the secretariat working document 8 since it seems to me to somewhat misleadingly underestimate the role of the Member States parliaments in provision the democratic legitimacy and transparency of the financial system and policies of the Union.

The European Union is a unique construction of the European peoples and nations. The legitimacy of the Union is provided by the Member States' parliaments and the European Parliament together. Constitutional Treaty of the Union and, also, the constitutional rules of the system of the financial resources of the Union, should be built on these dual sources of legitimacy. Consequently, the institutional balance between the European Parliament and the Council shall be maintained and the Member States Parliaments shall have a clear and active role of decision-making in the adoption of the system of financial resources.

It must also be remembered that it is currently for the Member States parliaments to decide on the overall burden of taxation and other fiscal obligations of citizens and the system shall be maintained as such also in the future. It is in the interests of European citizens that only one body decides as a whole on the grounds and amounts of citizens' direct tax liabilities.

My responses to the questions expressed in working document 8 are the following:

Questions a, b, c and d:

Answers can be found in my earlier contribution (working document 6 to the discussion circle III).

It is important to bear in mind that the current need of substantive simplification and reform is not due to any constitutional level problems. Simplification is possible if there is sufficient political will for that.

The decision of the own resources is of fundamental political nature and it clearly calls for the legitimacy which can only be provided by due involvement of the Member States parliaments.

#### Point 1

Yes; the requirement of the ratification of the own resources decision in national parliaments does bring a guarantee for the financing of the Union.

I also note that the purpose of the own resources decision is to set a limit to the financial means which are available for the Union to develop and implement its policies. Currently the broad nature of the Union's policies and objectives call for a strict discipline and prioritisation. A general duty to the Member States to provide for all the eventual needs of the Union cannot be derived from the current Treaties, nor should such a principle be incorporated into the new Constitutional Treaty. The decision on the own resources should establish an absolute limit to the financial resources available to the Union and the multi-annual financial framework and annual budget must be adopted and all the commitments, whether in form of legislation, decision or contract, shall be within the limits of the own resources available. The obligation of the Member States to provide for the necessary resources shall be limited to making available the resources as defined in the decision on own resources.

#### Point 2

The core issue here is that the system must be simplified. And consequently compromises are indeed possible also in the enlarged Union. Naturally reaching compromises might take longer time; this means that it would be desirable if likewise the decision on own resources could last longer (for example until 2020).

#### Point 3

The EU financing should not be turned into a Union competence (as set out in WD 6).

#### Point 4

The European parliament should be consulted (as set out in WD 6).

Here I must emphasise that the participation of the national parliaments is by no means theoretical but very practical. In addition, in many Member States there are very good examples of the involvement and influence of the national parliaments to Union decision-making procedures. The national parliaments are, contrary to the view expressed in the working document, a direct expression of citizens' votes and they are the main forum for policy-formation in Europe.

#### Point 5

Maintaining the sole right of the Member States to decide on the system of financial resources of the Union should not prevent simplifying and streamlining the current system in order to make it more understandable and acceptable to the citizens. Merely giving up the present type of the existing rebates and abolishing the VAT resource and a transfer to a GNI based resource would significantly clarify the structure and transparency of the EU financing system for EU citizens. A GNI based resource would continue to promote the equity required of the own resources. The maintenance of the traditional own resources is based on the fundamental goals of the Union; custom duties would be collected in any case.

In this way it is possible to simplify and clarify the current financing system in order for the citizens to be able to assess the benefits they derive from the activities financed by the Union.

#### Points 6 and 7

The present system should be maintained; ie. separate own resources decision.

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