

**CIRCLE III**

**Working document 18**

**"Discussion circle" on own resources**

**Subjet : Paper from Mr Göran Lennmarker, Member of the Convention**

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

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May 2nd, 2003

**Contribution to Discussion Circle on Own resources by Mr Göran Lennmarker**

After I have listened to the arguments about the decision-making procedure for own resources I have reached the conclusion that the present system, with unanimity in the Council, is the best one. The Member States confer powers to the Union unanimously, and it makes sense that decisions to transfer financial resources are made unanimously as well.

I understand the argument that in a Union with 25 Member States there may be difficult to reach new decisions on own resources. But one has to remember that if there is no agreement on a new decision, the existing decision on own resources continues to be valid.

In an earlier contribution (C 3 WD 9) to this Discussion Circle I outlined some basic points for the discussion. One conclusion is that as a result of the Convention the EU budget will not increase with any significant amount. The present ceiling is 1.24 % of GNP (1.27 % under the old accounting system). The EU budget and the financial perspective are approximately 1.05 % – 1.08 %, and the money actually spent is below 1 % (0.85 % for 2002 according to preliminary estimates). Overall the future EU budget will remain, in broad terms, approximately 1 % of GNP. Thus, the EU can live with a situation where no new agreement on own resources is reached.

However, I do not think that the present own resource system is perfect. As outlined in the earlier contribution I think it should be fully based on a fee directly related to GNP in accordance with purchasing power parity, PPP.

I welcome that the European Parliament will be strengthened in the annual budget procedure since the distinction between compulsory and non-compulsory expenditure will be abolished and the budget decision will be made under rules similar to the co-decision procedure. This is possible because the Member States will decide on the income side. Thus, the European Parliament should, as it is today, be consulted when it comes to the decision on own resources.

With the view presented in this contribution, it is logical to keep the procedure with ratification by national parliaments. The assent of national parliaments is necessary when the Union receives competences through Treaty changes. It is also important that national parliaments ratify the results of multiannual financial agreements since this gives both predictability and stability, both for the EU and the Member States since the level of resources is decided for several years. A further advantage is that a Member State does not have to fundamentally reassess its contribution every year.

My conclusion is that the present decision-making system for own resources has functioned well. As has been shown above, the EU has enough resources to cover its needs. In sum, my two contributions to the Discussion Circle gives the following answer to the questions asked to the Discussion Circle:

The Council decisions under the Article 269 procedure should continue to be unanimous. The European Parliament should be consulted. The Member States should continue to ratify the own resource decision in accordance with their respective constitutional requirements, and financing should not be turned into a Union competence. A fair and transparent system should be fully based on a fee directly related to GNP. The existing decision-making procedure should not allow the introduction of an EU tax.

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