

THE EUROPEAN CONVENTION

THE SECRETARIAT

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COVER NOTE

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| from | Secretariat |
| to | The Convention |
| Subject : | Contribution submitted by Mr Lamberto Dini, member of the Convention - Budgetary Discipline" |

The Secretary-General of the Convention has received the attached contribution from Mr. Lamberto Dini, member of the Convention.

Contribution of Sen. Lamberto DINI**BUDGETARY DISCIPLINE**

25 March 2003

1. Own resources

On the issue of own resources, which were established by a unanimous decision of the Council and ratified by national Parliaments, it would be advisable not to change the present procedure. In spite of the difficulty of reaching consensus among an ever increasing number of countries following the enlargement process, this would still be one of those rules which may be considered of "constitutional" nature – like the transposition procedure in the individual countries – for which the introduction of majority voting would be inappropriate.

The introduction of a new resource, e.g. a community tax, would already be possible in the present wording of Art. 38, which has already enabled the system to evolve, through the introduction of new sources of revenue (VAT, GDP).

2. The financial perspective

It is advisable that the principle of financial perspectives for several years (possibly to be renamed "multiannual financial planning") be enshrined in the Constitution, so as to give such instrument a higher rank than that deriving from its inclusion in an interinstitutional agreement. The financial perspective increases the credibility and transparency of EU policies, which go beyond the present planning, and promotes stability of the budget and compliance with its discipline. Enshrining annual budget procedures into the Constitution (I mean the mechanism, not the actual figures) is a prerequisite to simplify such procedures.

The perspective is divided, as is well known, into various headings, currently in the number of eight. It is not advisable to incorporate the present breakdown in the Constitution (not to mention their respective

levels). This would introduce a factor of excessive rigidity in relation to the evolution of the Union and its policies. For the same reason, it would be inappropriate to incorporate in the constitution rules on the transfer of allocations between headings or on amendment procedures during the annual budget.

The term of the perspective, which is presently set at seven years, should more appropriately correspond to the term of two of the institutions which take part in the budget procedure: Parliament and the Commission. Such term should therefore be five years.

Finally, the perspective should be adopted according to a mechanism based on a single act, rather than through the present procedures, providing for separate acts of Parliament and the Council, whose rôles are confined to adopting the decisions taken by the European Council. Therefore: Council decision by majority and concurring opinion of the Parliament (simple majority).

3. **Annual Budget**

The annual budget should be adopted through a simplified co-decision procedure (re-defined as legislative procedure in the Constitution), whereby the two budget authorities, the Council and the Parliament, enjoy equal powers. This would also lead to the abolition of the present distinction between "compulsory expenditure" and "non-compulsory expenditure", which is after all an arbitrary distinction, conducive to disputes and arising from an old – and presently unjustified – willingness to curb the power of Parliament.