

CONV 654/03

COVER NOTE

from :	Secretariat
to :	Convention
Subject :	Discussion circle on own resources

Convention members will find attached the framework of proceedings for the discussion circle on own resources, as defined by the Praesidium. The circle will be chaired by Mr Iñigo Méndez de Vigo.

The composition of the discussion circle will have to be strictly limited to the expertise required for the matter.

Framework of proceedings for the discussion circle on own resources

Own resources are revenue which finances the Union's budget and is due to it "as of right" (the justification for the name "own"), within an annual ceiling fixed in terms of a percentage of the Union's gross national product. Own resources currently fall into four categories:

- agricultural levies
- duties in the common customs tariff
- a percentage of the amount resulting from the application of a uniform rate to the VAT assessment base, determined according to Community rules
- an amount resulting from the application of a rate, to be fixed under the annual budgetary procedure, to an assessment basis representing the sum of the gross national products (calculated uniformly according to Community rules).

The first two, also the earliest, currently account for a residual percentage of Union revenue as a whole.

The annual ceiling on revenue represents the limits of the Union's budget. As well as being the subject of the discussion on the financial perspective at each negotiation, it is enshrined in the Own Resources Decision adopted on the basis of Article 269 TEC which also establishes the breakdown between the different resources.

When it discussed the simplification of the budgetary procedure, the Working Group on Simplification confined itself to acknowledging the Council's dominant role as regards the definition of the system of the Union's resources insofar as it must subsequently be adopted by the Member States. The Convention plenary gave no additional indications. That is why the Praesidium decided to present for the time being a draft of Article 38 taking over the current Article 269 TEC:

"Without prejudice to other revenue, the budget shall be financed wholly from own resources.

The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall lay down provisions relating to the system of own resources of the Community, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements."

Nevertheless, the Praesidium wishes to draw the Convention's attention to the complex problems concealed in this provision.

Article 269 TEC provides that provisions relating to the Union's system of own resources should be adopted by unanimity. However, these are not mandatory provisions, as the Council is merely recommending them for ratification by the Member States. This being the case, this is perhaps not the best procedure for ensuring that the measures required to finance Union policies are adopted in future, bearing in mind "the weight of numbers". This raises two questions:

Firstly, in an enlarged Europe, will it always be possible to finance the Union via a decision which has to be adopted unanimously? On the other hand, could the Union conceivably ask a Member State to contribute to the financing of a budget if its government had not first agreed to the rules and the ceiling for that budget?

Secondly, if the unanimity rule were adopted, would it still be essential to require "adoption" by the Member States every time there is an amendment to the system of resources? In this connection, it should be borne in mind that changing the procedure to remove the national ratification requirement would mean creating a new competence for the Union, which would have to be taken into account in Title III of the Constitution.

There is also the question whether the existing procedure would allow the Union to introduce other own resources. Given the decreasing relative importance of the two first resources referred to above, some Convention members do not consider them as genuine own resources, merely national

contributions. These Convention members¹ would like the Union to be able to rely on more autonomous resources which could take various forms. Would the procedure currently set out in Article 269 TEC allow for this kind of development?

The Presidency feels that discussion should continue in a small, technical discussion group, which would be asked to answer the following questions:

- (a) Should Council decisions under the Article 269 procedure continue to be unanimous? What role should the European Parliament play?
- (b) Should the Article 269 procedure uphold the requirement for adoption by the Member States in accordance with their respective constitutional requirements, or should financing be turned into a Union competence?
- (c) Does the existing system of own resources meet public expectations in terms of fairness and transparency?
- (d) Would the existing decision-making procedure allow substantial amendments to be made to these resources?

¹ Several contributions have been submitted on the subject.