



European Communities

**EUROPEAN PARLIAMENT**

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## **I N T E R I M   R E P O R T**

of the Committee on Budgets

on the future financing of the European Community

Rapporteur: Mr COLOM I NAVAL

Part B: **EXPLANATORY STATEMENT**

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A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations) Or. ES

\* = Consultation procedure requiring a single reading

\*\*II = Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

\*\*I = Cooperation procedure (first reading)

\*\*\* = Parliamentary assent which requires the votes of a majority of the current Members of Parliament

B  
EXPLANATORY STATEMENT

1. In the tradition of our parliamentary democracies, the fiscal and budgetary authorities have constituted the nucleus around which the representative powers and the prerogatives of Parliament, particularly the Lower House, have been developed and organized.

2. In the light of institutional reform aimed at achieving European Union, the European Parliament endorses a set of principles and criteria which must serve as a guideline for the consequent reform of the Treaties in this field.

The democratic deficit and restoration of balance between the institutions

3. The development and consolidation of the democratic legitimacy of the Community has been a constant concern of the European Parliament and continues to be the basis of all proposals for reform of the provisions concerned. In particular, it is reflected in the financial and budgetary field in the call for a more even balance between the two arms of the budgetary authority, in the form of:

- genuine co-legislative and own-initiative powers for Parliament in matters affecting the financial regulations;
- removal of the distinction between compulsory and non-compulsory expenditure; and
- amendment of the relevant procedural provisions, particularly with regard to the budget procedure.

Self-sufficiency and financial autonomy

4. Parliament maintains that under the principle of democratic responsibility the Community itself should be able to determine the nature and volume of its financial resources. In the light of Economic and Monetary Union and, above all, Political Union, there is an obvious need to incorporate at Treaty level a procedure which, by means of genuine own resources, guarantees full financial self-sufficiency and independence for the Community.

5. The present Article 201 of the EEC Treaty, the full potential of which has never been exploited, will need to be substantially amended in order to incorporate a comprehensive and coherent system of own resources through the explicit recognition of the Community's right to impose taxes - under the conditions and with the guarantees needed to safeguard the interests of the Member States - linked with its fields of political responsibility and the total or partial - transfer of harmonized national taxation.

6. The present Article 200, once updated, could constitute the ultimate resort - for exceptional application - for safeguarding the principle of self-sufficiency, so as to guarantee that all expenditure will be covered.

The order of these two Articles would in all cases need to be reversed, so as to emphasize the subsidiary nature of the latter.

7. As regards the procedure, it is important to stress that both the way in which Community requirements are established or amended and the way in which the volume and composition of the financial revenue of each financial year are determined in the corresponding budget must be characterized by all the openness and transparency that a genuinely democratic process requires, so that the two arms of the legislative power and the budget authority, working together, can assure the citizen that his interests are being represented and protected.

If Parliament claims this power, it is not as a privilege but to enable it properly to assume the obligations incumbent upon it as the organ of democratically elected public representation, which should thus be politically accountable to taxpayers.

8. All this will have to be accompanied by restoration of the unity and universality of the budget, reaffirmed by the present Article 199 of the Treaty, rewritten to express this more clearly. This evidently means that all the financial activities of the Communities need to be incorporated, thus including all those which for various reasons currently lie outside the scope of the budget:

- with immediate effect, the EDF and borrowing and lending operations;
- and the ECSC, when its Treaty expires, either at the final date laid down or by a decision bringing this forward.

9. Self-sufficiency as regards expenditure needs to be considered on at least two levels:

- first, in order to take account of the various policies necessarily adopted at Community level in accordance with the specific interpretation of the principle of subsidiarity and the evaluation of expenditure efficiency for each policy;
- second, in order to incorporate the Community budget policy into the panoply of financial policy instruments which will be set out in Economic and Monetary Union.

10. This last point calls for a review of the principle of annual budgetary balance set out in Article 199 of the Treaty. In fact, without abandoning this criterion, account will have to be taken, in putting it into practice - specifically, in its explanation in the financial regulation - of issues such as the use of the Community budget as a macroeconomic policy instrument (at least as a means of coordinating and finalizing national budgets), the full integration of revenue and expenditure derived from debt management (borrowing and lending operations) and the means of carrying out the necessary financial redistribution.

#### Medium-term planning

11. Despite the problems raised by implementing the financial perspectives, there is no doubt that in the context of the Interinstitutional Agreement they have had some positive effects, reflected especially in their contribution to the creation of a climate of certainty and mutual confidence.

From the evidence so far the conclusion is clear; the principle of multiannual financial planning should be established, perhaps incorporated in a new Article in the EEC Treaty.

