



European Communities

EUROPEAN PARLIAMENT

# SESSION DOCUMENTS

English Edition

19 November 1990

A3-0317/90/Part A

## INTERIM REPORT

of the Committee on Budgets

on the future financing of the European Community

Rapporteur: Mr Joan COLOM I NAVAL

DOC\_EN\RR\99497

PE 144.172/fin./Part A

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



By letter of 5 April 1990 the Committee on Budgets requested authorization to draw up a report on the future financing of the European Community.

At the sitting of 14 May 1990 the President of the European Parliament announced that the committee had been authorized to report on this subject.

At its meeting of 14 May 1990 the committee appointed Mr Colom i Naval rapporteur. At the same meeting the committee decided to set up a working party and instructed the following Members to deal with the specific problems indicated:

- interinstitutional relations  
rapporteur: Mr LAMASSOURE
- revision of the financial perspective  
rapporteur: Mr LO GIUDICE
- own resources  
rapporteur: Mrs NAPOLETANO
- non-budgetized financial instruments  
rapporteur: Mr PASTY
- future financial perspectives in the EEC (after 1992) and relations between the Community and third countries  
rapporteur: Mr MIRANDA DA SILVA

The working party met on 17 May, 11 July and 18 September 1990.

At its meeting of 19 November 1990 the Committee on Budgets considered the draft report.

At that meeting the committee adopted the motion for a resolution by 17 votes to 1 with 2 abstentions.

The following were present for the vote: von der Vring, chairman; Lamassoure, first vice-chairman; Colom i Naval, rapporteur; Arias Cañete, Cochet, Desaña, Elles, Goedmakers, Holzfuß, Kellett-Bowman, Lane (for Perreau De Pinninck De Domenech), Lo Giudice, Marques Mendes, Miranda Da Silva, Onur (for Papoutsis), Pasty, Porrazzini (for Colajanni), Samland, Tomlinson and Wynn.

The report was tabled on 19 November 1990.

The deadline for tabling amendments is 1 p.m. on Tuesday, 20 November 1990.

A  
MOTION FOR A RESOLUTION

on the future financing of the European Community

The European Parliament,

- having regard to Rule 121 of its Rules of Procedure,
  
- having regard to the report of the Committee on Budgets (Doc. A3-317/90),

I. INSTITUTIONAL RELATIONS

1. Stresses the essential role of the budget within a political democracy;
2. Believes that, looking to the future in general (though, in the short term, with reference to the Intergovernmental Conferences), the new role of the Community - budgetary legislation - must be defined more fully and more satisfactorily so that it genuinely constitutes the financial instrument for applying Community policies;
3. Believes that the Community budget must be seen as a political mandate with binding force and must be capable of implementation without any need for a subsequent legal basis; in particular, and as regards the statement of expenditure, maintains its traditional position regarding the compulsory nature of the remarks annexed to the budget headings;
4. Emphasizes the need to improve the Council's procedure at first reading, to which end it proposes that the Council should have one month longer and the previous procedures therefore be brought forward;
5. Believes that the Parliament-Council budgetary conciliation procedure should be extended; this procedure should be initiated at the beginning, i.e. when the preliminary draft budget is drawn up and before the first reading by the Council;
6. Considers that, in order to ensure good relations between the institutions, the Council should invite the rapporteurs of the Committee on Budgets to take part in its sittings for the first and second readings of the budget;
7. Considers that, as far as the revision of the Treaties is concerned, there are two possible approaches to improving the current budget procedure, both based on the elimination of any vestige of a distinction between compulsory and non-compulsory expenditure, which would strengthen Parliament's role since it would be able to deliver its opinion on equal terms on all expenditure and revenue:

(a) a procedure based on the present system:

a first reading by the Council followed by a first reading by Parliament, at which amendments could be adopted by a qualified majority, to be followed by a second reading by the Council at which

Parliament's amendments could be rejected by a qualified majority; Parliament would adopt the budget in a final vote by a qualified majority;

- (b) a solution based on a new interinstitutional balance, with Parliament enjoying the same prerogatives as the Council;

the Commission would submit the preliminary draft budget to both arms of the budgetary authority; the two arms of the budgetary authority would hold their first readings of the preliminary draft and adopt their respective draft budgets;

the two texts would then be submitted to a 'joint conciliation committee', made up of representatives of Parliament and the Council; this committee would submit a draft compromise to the budgetary authority by a certain deadline;

the budget would be deemed to have been adopted if the two arms of the budgetary authority adopted the draft submitted by the 'joint conciliation committee' by a simple majority;

if the compromise submitted by the 'conciliation committee' were rejected by a qualified majority by one of the two arms of the budgetary authority, the text would be sent back to the 'conciliation committee';

in cases of disagreement, Parliament would decide by a qualified majority;

- (c) the system proposed under (a) may be seen as a procedure for transition to system (b);

8. Considers that, in line with its repeated statements on co-legislative power with the Council, Parliament should enjoy such powers as far as financial legislation is concerned;

## II. OWN RESOURCES

9. Emphasizes the exclusive competence of the budgetary authority for determining the volume and nature of Community revenue, which must be compatible with the distribution of powers between the Member States and the Community;
10. Insists that the Community budget must be financed from the Community's own resources;
11. Considers that the new system of own resources should mainly take account of the relative prosperity of Member States and of citizens of the Community;
12. Considers that the new financial policy should not necessarily be based on an increase in the volume of the Community budget compared with national budgets, but rather on greater complementarity of the Community budget with measures adopted at national or regional level; in fact, all of the instruments available must contribute to achieving Community objectives;

13. Believes that the financing of the budget must be based on the genuine ability of economic agents in the Community to pay, without creating adverse effects within the productive system and accordingly without increasing total tax burdens;
14. Considers that the dynamism of European integration, which is evident in the current debate on the allocation of new powers at Community level, must be reflected in a dynamic budget which enables policies based on Community powers to be implemented effectively; this will entail a reduction in the commitment to certain sectors in national budgets and a corresponding increase for the same sectors in the Community budget, thereby ensuring adherence to the principle of controlling the increase in total public expenditure;
15. Believes that the endeavour to propose the development of a genuine system of own resources to replace the contributions from the Member States could take the form of a direct link between the Community and the taxpayer; measures which benefit the latter create the climate of confidence needed to pave the way for Community taxation;
16. Considers that, of the present own resources, those known as traditional resources (agricultural and customs levies) should be maintained in the future because they are genuine Community resources; considers, however, that VAT, which has become the main source of revenue, while having the advantage of being applied to a tax which is almost harmonized, has the grave disadvantage of inter-personal and spacial regressivity, and should therefore not occupy in future the pre-eminent position it enjoys at the moment;
17. Believes that the 'fourth resource', which was introduced in 1988 on the basis of the GNP of each Member State, was an important, albeit timid, step towards a more progressive method of tax collection; however, because of its presentation and the way in which it is levied, it has the disadvantage of appearing to be a contribution by national states rather than a genuine own resource;
18. Considers that the potential of personal income tax and company tax should be examined, especially - as far as the latter is concerned - in the light of experience gained in certain federal states;
19. Believes that examination of Community participation in other types of taxation should be pursued, e.g. taxes on energy use as well as the possible linkage of environmental policy and taxation;

### III. FINANCIAL INSTRUMENTS NOT INCLUDED IN THE BUDGET

20. Considers that all capital account operations should be included in the budget;
21. Considers that their inclusion in the budget must enable the budgetary authority to fix the maximum annual amount of capital account operations on the basis of comprehensive information regarding the Community's debt situation; to this end, the creation of a 'capital budget' of the

Communities should contribute to a clear overall approach to the Community's borrowing and lending policy;

22. Considers that the EDF should be included in the general budget, which should meet the Community's wish to reestablish a genuine international cooperation policy based on an acceptable political balance between the different financial instruments, in respect of Eastern Europe as well as the ACP countries, Latin America and Asia, the Mediterranean countries, etc.; a genuine, coherent cooperation policy must entail the inclusion in the budget of all financial operations in the above sense and not only, as at present, some of them;
23. Considers that, as part of the financial reform linked to future financing and for the sake of consistency with the above criteria, it is also necessary to include all ECSC operations, both those operations currently included in its operating budget and capital operations (borrowing and lending);

#### IV. REVISION OF THE FINANCIAL PERSPECTIVE AND THE INSTITUTIONAL AGREEMENT

24. Underlines the important role played by the Interinstitutional Agreement in improving relations between the two arms of the budgetary authority, enabling a response to be made to the new challenges facing the Community since the entry into force of the Single Act and thereby remedying the inability of the Treaties to deal with the Community's budget problems more flexibly than in the past;
25. Points out, nevertheless, that, despite the virtues of the Interinstitutional Agreement, subsequent experience has revealed problems and rigidities which must be dealt with in the future;
26. Considers that the momentum of interinstitutional dialogue enshrined in this agreement must continue in the future; the first requirement for achieving this is to reform the budgetary provisions of the Treaties, thereby adjusting the constitutional text of the Community to match developments in the division of powers within the Community as well as in the Community's new role in the world;
27. Affirms the need for interinstitutional dialogue on budgetary matters and points out that the drafting of any new interinstitutional agreement, and its possible content, can only be assessed in the light of the results of the intergovernmental conferences, not only taken as a whole but with particular reference to Parliament's requests for amendment of the budgetary provisions thereof;
28. Reaffirms, as regards the financial perspective, the need to enshrine at Treaty level the principle providing for the Community budget to be based on flexible multiannual planning;
29. Stresses that the financial perspective must be the financial instrument for applying Community policies and must represent the focal point around which a genuine medium-term budgetary policy is devised which takes into account the subsidiarity principle and the redistributive and macroeconomic function of the Community budget;

30. Believes that multiannual planning must contain the machinery needed for adaptation and revision so that the Community's financial instruments can deal at any time with the current political and economic situations facing the Community;

V. THE COMMUNITY'S RELATIONS WITH NON-MEMBER COUNTRIES

31. Notes the growing role of the Community in the world and the substantial impact this has on the Community budget;
32. Reaffirms the principle of budgetary universality with particular emphasis on development policy and insists that all expenditure relating to this sector be included in the budget;
33. Believes that development policy should reflect a global political strategy for the Community which must take account of the need for balance between all parts of the world;
34. Insists that, when this global strategy is drawn up, account be taken of the impact of all Community policies on development policy;
35. Considers that the global strategy of development policy must take the form of planning by objectives, without which any adequate multiannual forecast of the necessary appropriations would be hindered;
36. Believes that the Community must improve its ability to respond to unforeseen events as part of its external policy; the budget should contain the necessary machinery for responding with the speed that such circumstances require;
37. Instructs its President to forward this resolution to the Commission and Council.