

Circle 2
Working document 04

NOTE

from :	Secretariat
to :	"Discussion circle" on the budgetary procedure
Subject :	Questionnaire on the budgetary procedure

Members of the discussion circle have received a note describing the annual budgetary procedure (WD 03). The purpose of this questionnaire is to provide a framework for the debate at the meeting of the discussion circle on 26 March 2003.

1. The current procedure involves the Commission submitting a preliminary draft budget, with the Council establishing the draft budget. Could the Commission be given the right to submit the draft budget directly? This would not, of course, affect the majorities required for decision-making at the various stages of the procedure.
2. On examining how the budgetary procedure could be simplified, the Working Group on Simplification saw at once that the distinction between compulsory and non-compulsory expenditure was one of the major reasons for the complexity of the procedure. Could this distinction be abolished? Would matters be simpler if the financial perspective were incorporated into the Constitution? The Union, like any legal person, must honour its legal commitments; should this be explicitly stated in the Constitution? In a measure stipulating that the budget authority must ensure that the necessary financial resources are available

for the Union to meet the cost of its legal obligations towards third parties? ¹

3. The Institutions have developed a culture of negotiation and conciliation throughout the budgetary procedure which was codified to some degree in the 1999 Interinstitutional Agreement and has helped to bring a marked improvement in the mechanics of adopting the budget. Would it be useful to enshrine such arrangements in the Constitution? Even partially?
4. Adopting the budget is currently the fruit of collaboration between the two branches of the budget authority, each of which carries out two readings. The Council has the final word on non-compulsory expenditure and the Parliament on compulsory expenditure – on the basis of a network of augmented qualified majorities when the two are in disagreement. Should the distinction between both types of expenditure be abolished, two major questions arise:
 - Could the number of readings be reduced, shortening the time required and thus making it possible to work on the basis of an estimate of expenditure that more accurately reflected needs?
 - Unlike the legislative procedure, the budgetary procedure cannot end in failure. So how can the absence of an agreement be resolved? Some members – particularly the Working Group on Simplification – have proposed extending the final procedure for non-compulsory expenditure to the whole budget, i.e. if the Parliament accepts all the amendments proposed by the Council, the budget could be adopted by majority vote; conversely, a majority of members and three-fifths of the votes cast in Parliament would be needed to amend or reject the Council's amendments. Others have proposed automatic mechanisms, such as opting for the lower amount (whether the Council's proposal or the Parliament's proposal) when there is disagreement on figures, or even using the nostrum of provisional twelfths.

¹ There is such a provision is among proposals in WD 02 for the content of the Constitution's provisions on the financial perspective.