

**CERCLE II**

**Working document 07**

**"Discussion circle" on budgetary procedure**

Subject: **Answers from Mrs Danuta Hübner, Member of the Convention, to the questions put to "discussion circle" on the financial perspective (WD01/Circle 2)**

Members of the "Discussion circle" on the budgetary procedure will find hereafter a paper from Mrs Danuta Hübner, Member of the Convention.

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**Answers from Danuta Hübner to the questions put to the Discussion Circle 2 on the financial perspective (WD1/Circle 2)**

1. I agree that the term financial perspective might not be understandable to the citizens of the Union. Terms like “multi-annual financial framework”, or, simply, “multi-annual budget” seem to be more appropriate.
2. I would be in favour of inserting the ceiling mechanism into the provisions of the Constitution.
3. The issue of whether the existing categories in the financial perspective reflect the tasks that lie ahead the Union is already widely discussed. This debate indicates that the Constitution should not enshrine the enumerative list of headings of the financial perspective. On the other hand, the inclusion into the Constitution of major objectives of EU expenditure might well serve the purpose of making the Union more understandable for its citizens. For that reason it should be considered whether these objectives i.e. strengthening the cohesion in increasingly diversified EU or promotion of stability and growth in the neighbourhood and in the wider world should not be mentioned in the Constitution. While leaving necessary room for unforeseen situations, this would also serve as a guideline while drafting financial perspectives.
4. In my view, the approach proposed under item 3 implies necessary flexibility.
5. I agree with the views expressed by the European Parliament, WG 9 on simplification and the Commission – the next financial perspective should be set for 5 years. I do not see clear reasons why this period should coincide with the mandate of the Commission and Parliament – for the first half of the legislative period newly elected Parliament would work with the already adopted financial perspective and with the new one for the second half. Since the new system might require some changes in the future – in the light of new experience – it does not seem to me necessary to include the length of the financial perspective into the Constitution.
6. The budgetary process needs to be guided by the principles of **transparency**,

**accountability and stability of financial planning.** I support moving towards **full co-decision on budgetary matters in the framework which ensures the preservation of budget discipline.** In my view, extending the role of the European Parliament in the crucial area of the budgetary process would go along way towards ensuring **dual legitimacy** of policy-making in the Union. At the same time, the budgetary procedure must leave the citizens in no doubt that **national governments and parliaments should remain the principal source of legitimacy for the raising of revenues for the Union's budget.** Therefore in my view, **the task of defining the regime for the EU revenues must remain with the Council, acting unanimously.** As far as transparency is concerned, it is vitally important for the citizens to be aware of the fundamental ingredients of budgetary planning as well as of the value-added created by the Union's expenditure. The citizens should be able to easily trace EU funds from the stage of financial planning through the budgetary process on to effective management of resources. **Transparent evaluation procedures based on clear performance indicators** are very important for ensuring the citizens' support. It is my view that **we should build on the experience of the current budgetary process** and ensure that any simplification that results from the work of the Convention does not damage the efficiency and transparency of the EU financial management. In that framework, I take the position that there should be **mandatory multi-annual EU budgets** with ceilings set for the main headings of expenditure. **They should be established by the Treaty so that to ensure a legal basis for all EU spending decisions.** Multi-annual budgets should be established by the European Council on the basis of a submission from the Commission. The European Parliament needs to be consulted in the process. Annual EU budgets should respect the ceilings set in the multi-annual budgets. They should be drafted on the basis of a submission from the Commission and reflecting the work programme established for the year in question. Draft budget should then be debated and passed by the European Parliament with a parallel discussion in the Council with its Common Position accepted by QMV. The conciliation stage should then be no longer than 4 weeks with a parity of members of the Council and representatives of the European Parliament participating in the process. In the case of failure of the conciliation stage to bear results, expenditure levels of the previous annual budget should be binding for the subsequent year's budget.