Financial aspects of the Reform Treaty

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The Committee on Budgets adopted the own-initiative report drawn up by Catherine GUY-QUINT (PES, FR) on the financial aspects of the Lisbon Treaty. Overall, the committee welcomes the changes brought about by the Lisbon Treaty but draws attention to the need to adapt interinstitutional conciliation mechanisms and internal cooperation procedures to enable Parliament to exercise its new powers to the full.

Own resources: the report criticises the fact that Member States have failed to take the opportunity to establish a system of genuine own resources which is fairer and more readily understandable to the public. It criticises, in particular, the fact that no progress has been made in involving Parliament in the process of determining the limits to and the nature of the own resources available to the Union.

Multiannual financial framework: the report welcomes the formal status granted in the Lisbon Treaty to the MFF, which becomes a legally binding act. It criticises, however, the fact that the Lisbon Treaty has retained the requirement that the Council should act unanimously when adopting the MFF, rendering the decision-making procedure very difficult and encouraging negotiations on the basis of the 'lowest common denominator'. The committee urges the European Council to make use of the provision which enables it, by means of a unanimous decision, to impose a switch to qualified-majority voting for the adoption of the MFF.

Members also criticise the fact that under the new procedure, Parliament has only a right of approval and no genuine power of co decision. They call on the Council to demonstrate its willingness to develop a structured political dialogue with Parliament in order to take full account of the latter's priorities.

With regard to the **duration of the MFF**, the committee supports the switch to a five-year MFF, but is aware that a full coincidence between the MFF and the term of the European Parliament and the term of Office of the Commission might be difficult, as it considers a negotiating period of at least one year may be necessary to allow each new Parliament and each new Commission to take fundamental financial policy decisions during their terms of office. Negotiations should be conducted in such a way as to allow the institutions to envisage the entry into force of a new MFF in 2016.

The report discusses the importance of **strengthening flexibility mechanisms** operating within and between each heading and through specific flexibility instruments which can be mobilised outside the margins. It also draws attention to the need, in good time prior to the entry into force of the Lisbon Treaty, for the institutions to reach agreement on the arrangements for making the **transition from the current interinstitutional agreement** to an MFF contained in a legislative act.

Annual budgetary procedure: the report welcomes the abolition of the distinction between compulsory expenditure (CE) and non-compulsory expenditure (NCE), as a result of which Parliament now has the right to take decisions concerning all Union expenditure on an equal footing with the Council. It notes that the changes to the annual budgetary procedure should serve to make it simpler by laying down the principle of a single reading for each institution and by introducing a number of mechanisms designed to help the two arms of the budgetary authority reach agreement, which will decrease bureaucracy. Members note that the **strengthening of the role of the Commission.**

The committee goes on to note that the new procedure will require Parliament to fine tune its political priorities at an earlier stage and adapt accordingly its operational approach and organisational arrangements so as to enable it to achieve all the objectives set. It also emphasises the importance which

the **Conciliation Committee** will have in the future as the body in which political disagreements between the two arms of the budgetary authority are resolved.

Relations with the legislative authority: Members emphasise that the parallelism between the extension of Parliament's budgetary powers to cover all Union expenditure and the widening of the codecision procedure to encompass almost all legislation calls for greater account to be taken of the budgetary dimension to legislative activity. Accordingly, it is essential that cooperation between the Committee on Budgets and the sectoral committees should be stepped up in order to take due account of the financial impact of Parliament's legislative activity, in particular its impact on the MFF and the annual budget.

Financial Regulation: the Financial Regulation should incorporate all the provisions needed to define the budgetary procedure. The committee feels that such provisions would cover the functioning of the Conciliation Committee, the mechanism triggering conciliation, and the updating of the provisions of the Financial Regulation directly affected by the changes introduced by the Lisbon Treaty. It is vital that the institutions should reach a political agreement on these matters in due time so that, once the Lisbon Treaty has entered into force, the requisite changes to the Financial Regulation can quickly be made using the new procedure.

Budgetary impact of the interinstitutional changes: the committee emphasises the importance of reaching a political agreement with the Council in due time on funding arrangements for the European Council, and its fixed Presidency, and for the future European External Action Service. All external actions should be financed from Community appropriations, and only exceptionally – in the event of an emergency – on the basis of contributions outside the Union budget.

Coordination with national budgets: Members wish to invite e national parliaments to take part in a joint public debate on national and Community budgetary policy guidelines, prior to consideration of the respective draft budgets.