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## SECOND INTERIM REPORT

drawn up on behalf of the Committee on Institutional Affairs

on the preparation of the meeting with the national parliaments to discuss the future of the Community (the 'Assizes')

Rapporteur: Mr DUVERGER

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

\* = 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 of amendment

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

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



At the sitting of 11 December 1989, the President of the European Parliament announced that the Committee on Institutional Affairs had been authorized to draw up an own-initiative report on the preparation of the meeting with the national parliaments to discuss the future of the Community (the 'Assizes'). On 12 February 1990, the Committee on Budgetary Control was asked for its opinion.

At its meeting of 29 and 30 January 1990, the Committee on Institutional Affairs appointed Mr Duverger rapporteur.

The committee considered the rapporteur's proposals at its meetings of 21 and 22 February, 22 and 23 March and 17 and 18 April 1990. At this last meeting the committee adopted a draft interim report unopposed, with two abstentions.

On a proposal from the rapporteur, the committee decided, on account of major external events affecting the content of the report, to replace this text which had been superseded (Doc. A 3-87/90) with a new motion for a resolution which was considered at its meetings of 31 May and 1 June and 20 and 21 June 1990.

At this last meeting the committee adopted an interim motion for a resolution unopposed, with two abstentions.

The following took part in the vote: **Oreja Aguirre**, Chairman; **Duverger**, rapporteur; **Aglietta**, **De Giovanni**, **Capucho**, **Cassanmagnago Cerretti**, **D. Martin**, **De Gucht**, **Ferrer I Cassals**, **Herman**, **Rothley**, **von Wogau** (for **Luster**) and **Newton Dunn**.

The explanatory statement will be published separately.

The opinion of the Committee on Budgetary Control is attached.

The interim report was tabled with Sessional Services on 22 June 1990.

The deadline for tabling amendments to this interim report will appear on the draft agenda for the part-session at which it is to be considered.

C O N T E N T S

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ANNEX : OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

A.

The Committee on Institutional Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the preparation of the meeting with the national parliaments to discuss the future of the Community (the 'Assizes')

THE EUROPEAN PARLIAMENT,

- having regard to the draft Treaty establishing the European Union of 14 February 1984,
  - having regard to its resolution of 16 February 1989 on relations between the national parliaments and the European Parliament (Doc. A 2-348/88)<sup>1</sup>,
  - having regard to the statement by the President-in-Office of the European Council, Mr Mitterrand, to the European Parliament on 25 October 1989 and, in particular, his suggestion that the European Parliament organize "Assizes on the future of the Community, in which, in addition to Parliament, delegations from the national parliaments and representatives of the Commission and the governments would also participate", as well his remarks concerning the constituent role of Parliament "if democracy is established in the Europe we are creating",
  - having regard to its resolutions of 23 November 1989<sup>2</sup> and 14 March 1990<sup>3</sup>
  - having regard to the resolution adopted by the Italian Chamber of Deputies on 21 March 1990,
  - having regard to the conclusions of the Interparliamentary Conference of Committees on European Affairs of the national parliaments held on 11 May 1990,
  - having regard to the second interim report of the Committee on Institutional Affairs (Doc. A 3-162/90) and the opinion of the Committee on Budgetary Control,
- A. whereas it is necessary to make the Community more effective and more democratic,
- B. whereas the gradual transfer of legislative power from the Member States to the Community in the economic, financial, fiscal and social sectors is serving increasingly to exacerbate the democratic deficit in the Community decision-making process and whereas the only way to overcome this deficit is to grant the European Parliament the legislative and monitoring powers not enjoyed by the national parliaments,'.

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<sup>1</sup> OJ No. C 69, 20.3.1989, p. 149

<sup>2</sup> OJ No. C 323, 27.12.1989, p. 111

<sup>3</sup> Minutes of 14.3.1990, p. 106

- C. whereas the powers transferred to the Community are beyond the control of the national parliaments,
- D. whereas the European Parliament and the parliaments of the Member States must jointly reverse this decline of democracy in Western Europe at a time when it is growing in Eastern Europe,
- E. whereas a meeting between representatives of the national parliaments and representatives of the European Parliament is clearly the best means of assessing the scale of the problem and making provision for ways of remedying the situation,
- F. whereas political union should not be the outcome of an agreement between governments based on texts drawn up by diplomats but should be achieved through the direct involvement of the institutions which represent citizens,
- G. whereas the democratic deficit is essentially caused by the fact that the Community's main decision-making body for legislative and other matters is the Council, which consists of representatives of the national governments,
1. Notes that a very broad consensus has emerged both in the national parliaments and the European Parliament that the 'Assizes' should be convened jointly by these different parliaments;
  2. Considers that the meeting of the Assizes to be held in Rome in October 1990 should be based on the democratic principle of proportional representation between Member States, while nevertheless giving special consideration to the smaller states, and on the principle of equality between the European Parliament and the parliaments of the Member States;
  3. Proposes that the interparliamentary Assizes on the future of the European Community have three basic aims:
    - (a) Reducing the Community's democratic deficit by confirming the overwhelming support of the political forces in the twelve Member States of the Community for substantially strengthening the European Parliament's legislative powers and powers of democratic control and determining the most effective means of extending the control of national parliaments over the activities of national governments in the Community sphere;
    - (b) Preparing for the development of a constituent power in the Community in keeping with the principles of democracy, which are neglected by current procedures under which the European Parliament is excluded from Community reform and national parliaments merely ratify en bloc texts negotiated without any democratic transparency;
    - (c) Determining by common agreement the general guidelines for European union with a view to the drawing up by Parliament of a final draft constitution to be submitted for national ratification;

4. Notes that the meeting of 7 June 1990 between the President of the European Parliament and the presidents of the national parliaments has prepared the way for these 'Assizes';
5. Instructs its President to forward this resolution to the Council, the Commission and the parliaments of the Member States.

OPINION

(Rule 120 of the Rules of Procedure)  
of the Committee on Budgetary Control

Draftsman: Mr P. MARCK

At its meeting of 30/31 May 1990 the Committee on Budgetary Control confirmed Mr MARCK as draftsman of the opinion, considered the draft opinion and adopted it unanimously.

The following took part in the vote: Price, Chairman; Wynn and Arias Canete, vice-chairmen; Marck, draftsman; Cochet, Goedmakers, Kellett-Bowman, Theato and Tomlinson.



1. The Committee on Budgetary Control is responsible for preparing all Parliament's work concerning the monitoring of the legality, regularity and soundness of budgetary management in the use of Community resources. It is responsible for monitoring the financial and budgetary measures taken in order to implement Community policies and for preparing the Commission's discharge. Consequently, it is also responsible for relations with the budgetary control bodies of the individual Member States.

2. The principle underlying Parliament's powers of budgetary control is clearly stated in Articles 205 and 206b of the EEC Treaty: the Commission has sole political responsibility for the implementation of the Community budget and it is accountable to the European Parliament in the context of the discharge procedure.

3. Nevertheless, the Community, mainly for reasons of cost and efficiency, nearly always uses national administrations and structures for the implementation of the budget, as regards both revenue and expenditure. This collaboration between the Commission and the national administrations takes various forms but it is always subject to the principle laid down in Article 205 of the EEC Treaty.

4. Unlike the Commission, the national authorities and bodies which deal with the implementation of the Community budget are not under the direct control of the European Parliament. As far as this sector of their activities is concerned, they are also to a great extent beyond the control of the national parliaments. Furthermore, Community taxpayers are also national taxpayers and the right to levy taxes on them is of a global nature. Cooperation between the national parliaments and the European Parliament is therefore needed to fill the gaps in democratic control and to coordinate the exercise of parliamentary responsibility towards the taxpayer at both national and European level.

5. In its decision of 3 April 1990 granting a discharge Parliament expressed the following view:

'89. Considers that it is vital to establish a system of coordination with the national parliaments in order to identify common problems and to pursue parallel action at the level of the Community system and the internal legal and administrative systems of the Member States in a number of areas of common interest such as:

- (a) the transposition of Community legislation into national law;
- (b) the management and control of administrative machinery set up at national level to implement Community policies;
- (c) preparatory work (selection and proposal) carried out by the national authorities when considering the projects and programmes to be submitted for Community funding.'

6. The Committee on Budgetary Control has a variety of tasks to carry out at all stages of the implementation of the budget and during the budgetary procedure itself. Control of the implementation of the budget requires ongoing checks in the interests of maximum efficiency and includes checking the quarterly reports on the use of funds. At this stage, when problems affecting the implementation of appropriations in the Member States can be identified early on and remedied before the end of the financial year, the regular supply of information to the national parliamentary control bodies can prove particularly useful. This applies in particular to the release and

reuse of commitments, in order to prevent appropriations from being cancelled and redirect them for another useful purpose. Contacts should therefore be made with the national parliaments in the context of the 'Notenboom procedure'. The political nature of the assessment of the implementation of the budget by the parliamentary control body responsible at European level means that it is natural for the national political body to be called in.

7. As its work has evolved, the Committee on Budgetary Control has become increasingly aware of the need not to confine itself merely to analysing implementation of the budget but also to consider whether the preliminary financing mechanisms are appropriate for the efficient implementation of Community policies. This includes intervention by the Committee on Budgetary Control before the relevant legal provisions are adopted.

8. An examination of the operational methods of, for example, the structural funds or the common market regulations often shows that inadequate cooperation (including information, coordination and assessment) between the Commission and the Member States can cause the misdirection and inefficient use of funds or failure to implement the budget properly. For this reason the committee often calls on the Member States to abide by certain principles, in order to prevent such shortcomings.

9. In many cases, experience acquired in the application of Community provisions and their incorporation into national practice suggests that such provisions should be amended, so that the national authorities and/or their administrative agencies may be more closely involved in the Community's decision-making process, in both the control and assessment of measures, in order to ensure a higher rate of success. This applies to many spheres of Community policy. In all these cases it has been demonstrated that the budgetary control committee must be brought in at an early stage if the fruits of experience are to be incorporated in newly formulated provisions. The introduction of 'partnership' structures which, as mentioned above, has become necessary for the formulation of structural policy, the mobilization of national administrations for the implementation of regulations concerning agricultural markets and, finally, the correct implementation of budgetary stabilizers in the agricultural sector also require political support from the national parliaments.

10. If we consider the effectiveness of the Community mechanisms to check the regularity and efficiency of Community expenditure, it becomes increasingly clear how important it is to have a smooth-running national control system in the Member States. The efficiency of European parliamentary control would therefore be considerably increased if the shortcomings and weaknesses of national controls, particularly with regard to linking them up with the Community control systems, were more widely known. Sound budgetary management and effective control depend on close coordination between national controls and the various forms of Community control.

11. It emerged in action to combat irregularities and fraud that the governments and parliaments of the Member States were far from sufficiently aware of the scale of the frauds which were actually jeopardizing the effectiveness of Community policies. If the competent committees of the national parliaments regularly receive detailed information, two objectives may be achieved:

- (a) firstly, the fact that the government concerned is made aware of the situation should mean that the required national control structures are either set up or strengthened and the administrative, investigating and prosecuting authorities are obliged to ensure that Community funds are given the same legal protection as national funds. This applies to both revenue and expenditure. The information and coordination procedure recommended for combating irregularities must be continued during the collection procedure, which is often excessively cumbersome. The handling of a major fraud case by a national parliament's committee of inquiry was very encouraging. After it was brought in compensation was promptly paid into the Community's coffers. Experience shows that a conflict of interests between the Member States and the Community in the financial sphere can be settled most promptly at parliamentary level. The governments of the Member States, as represented by the Council, have long since proved themselves not to be the best guardians of the Community's financial interests when steps must be taken to combat fraud;
- (b) secondly, the national parliaments can exert the required degree of pressure on the Council to make it issue the provisions needed to combat fraud effectively.

12. The Member States' administrative and control procedures must be regularly investigated not only during the continuous monitoring procedure, but also during the discharge procedure. It should be noted that the Commission often mentions the fact that it has transferred administrative and control duties to the Member States, when, in Parliament's view, it has failed to meet its obligation to coordinate and supervise. The decentralization of administration often means that the measures administered by the Member States are less well supervised. Because of the 'breakdown' in the direct channel of communication or because of the fact that the national bodies are not subject to directives from the Community authorities and the consequences of non-observance of Community provisions are merely financial ones, national authorities have to be called in. It is obvious that the European Parliament's interlocutor has to be the national parliament or the control body appointed by it. The European Parliament's annual discharge reports are therefore a suitable basis for an exchange of views on the possibilities for solving the problems arising from decentralized administration.

13. Another starting-point for contacts with the national parliaments is a discussion on proposals for improving the implementation of Community policies in the context of the relevant budgetary procedure: aspects of budgetary control, the setting-up of control structures in the individual Member States or of such structures at Community level directly connected with the administrations of the Member States.

14. In conclusion, it should be stressed that cooperation between national parliaments and the European Parliament in the field of budgetary control must be strengthened in order to compensate in the interim period for the democratic deficit which has arisen from the fact that national administrations implementing the Community budget are not directly monitored by the European Parliament and, in practice, can no longer be monitored by the national parliaments, and, secondly, to encourage the establishment of adequate national monitoring bodies and procedures. This coordination should also facilitate coordination of their joint responsibility towards the European taxpayer. It is applicable to the following sectors:

- as far as control is concerned: cooperation, exchange of information and concerted action for ongoing checks and for auditing implementation of the budget;
- as far as the legislative sphere is concerned: cooperation, exchange of views and concerted action with regard to
  - . the incorporation of Community legislation into national law, in so far as implementation of the budget is based on such legislation;
  - . the adaptation of national administrative and legal structures used in the implementation of the budget;
  - . the establishment of controls and procedures for prosecution at Community and national level, so as to guarantee implementation of the budget.