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# History of Budgetary Powers and Politics in the EU: The Role of the European Parliament

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Part II: The non-elected Parliament  
1957-1978

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STUDY

European Union History Series

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**Robert Schuman Centre for Advanced Studies, EUI**  
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Historical Archives Unit of the European Parliament  
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1957-1978

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Alfredo De Feo



This study has been written at the request of the Historical Archives Unit of the Directorate General for Parliamentary Research Services (DG EPRS).

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EUROPEAN PARLIAMENT

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## **Abstract**

This study provides a history of budgetary powers and politics in the EU during the period 1957-1978, focusing on the role of what was then still a non-(or indirectly) elected European Parliament. It follows a timeline divided into three periods: (i) beginnings (1957-1964), (ii) preparations for modification of the Treaty (1965-1969), and (iii) the first phase of democratic control (1970-1978).

The modifications to the Treaty of Rome, with the two budgetary treaties of 1970 and 1975, were the results of conflicts, diplomacy and compromises. After more than 20 years the balance of power between the institutions had changed; full democratic control had not been achieved, but important progress had been made, and Parliament, though still not directly elected, had gained in influence and respect.

This study gives a detailed description of various elements of the budgetary powers shaped by the two treaties, in particular those which would enable the elected Parliament to continue its fight for more influence and greater powers, not only in the budgetary domain but also in legislative and institutional matters too.



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## INTRODUCTION

This study is addressed in particular to all who have a professional, academic or personal interest in the history of the European institutions, and in particular in how the competences of the European Parliament in the budgetary domain evolved during the period 1957-1978, before direct elections. It is based on official documents of the various institutions deposited in the Historical Archives of the European Parliament and the Historical Archives of the European Union.

Since the beginning of the European adventure, the Parliamentary Assembly (which, in 1962, would rename itself the European Parliament) had been relegated to a marginal role. The Treaty of Rome strengthened the role of the Member States, with no counterbalance in place for the exercise of effective democratic control at European level. This study looks at the main steps of the evolution and recognition of the Parliament's influence in the context of the major institutional events of the period.

In the early 1960s, the issue of greater democratic control was on the table, together with the need to expand resources to finance new policies, in particular agricultural policy, while reinforcing the Parliament's role in budgetary matters. The Assembly had the support of the national parliaments, which had lost control of a number of competences to the European Communities, but also of some national governments.

The close relations between the Assembly and the national parliaments were facilitated by the Members' double mandate: the Members appointed to the Assembly had long parliamentary experience and helped to shape the European parliament along the same lines as their national parliaments. Those Members then used their influence back home in their national parliaments to support strengthening the powers of the Assembly, pushing their respective governments to defend the principle.

Talks on strengthening the powers of the Assembly had already begun during the preparatory work for the Treaty of Rome, but they had failed. The matter was taken up again during the discussions on the merging of the executives under the Merger Treaty. Even then, the Treaty was adopted with no reference made to strengthening the Parliament's powers.

The Commission asked a group of experts, chaired by Professor Georges Vedel, to examine the Parliament's future role. This report was concrete and visionary, but it took several decades for the Commission to translate some of the group's recommendations into concrete proposals.

Those failures paved the way for the two successive changes achieved through the adoption and ratification of the Treaties of 1970 and 1975. Despite their limitations, the two 'Budgetary Treaties' allowed the Parliament to affirm its role as an arm of the budgetary authority and gain influence and competences in the political and legislative domain.





## 1957-1964: START-UP OF THE EUROPEAN ECONOMIC COMMUNITY

This chapter briefly describes the evolution from the European Coal and Steel Community (ECSC) to the European Economic Community (EEC) Treaty. The Treaty of Rome differs in the budgetary domain from the European Coal and Steel (ECSC) Treaty in that the budgetary procedure makes a full appearance in the Treaty of Rome with a dedicated Title. The budgetary powers are clearly concentrated in the Council, with Parliament playing only a consultative role. The period 1957-1964 is important because budget and procedures are shaped during this period, laying the groundwork for changes to come. The first modification of the Treaty (1965) and the financing needs of the EEC opened a new phase in the budgetary debate and the role of Parliament.

### Historical context: From the ECSC to the EEC

The first years of the ECSC set the stage for cooperation between the Member States and the European institutions in accordance with an innovative supranational model, in which most of the power and competences were concentrated in the High Authority, which was formally independent from the governments of the Member States.

This model, inspired by Jean Monnet and other federalists, suffered a major blow following the rejection of the European Defence Community (EDC) by the French National Assembly and the withdrawal of the European Political Community (EPC) project. Governments and Member States had sent a strong message to the federalists. The European project still had support, but with the Treaty of Rome creating the European Economic Community there was a clear change of direction. Member States were still convinced of the benefits of the European project in consolidating peace and fostering economic growth, but many wanted to regain control of Europe's development, including in the budgetary domain, and, as a result, the role of the Council and of the Member States was reinforced. A number of innovative solutions in the ECSC Treaty were modified, placing the Member State governments back in the driving seat.

Initiatives were taken to re-launch the European project, such as the Benelux memorandum<sup>1</sup>, which was well received in diplomatic circles<sup>2</sup>.

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<sup>1</sup> Benelux memorandum at the Centre Virtuel de la Connaissance sur l'Europe (CVCE). This memorandum suggested a continuing the step-by-step approach, enlarging the scope of integration by sector (transport, nuclear energy, etc.) while establishing a general common market (Economic Community). It also stressed the importance of independent institutions in protecting smaller countries. See: [http://www.cvce.eu/obj/the\\_benelux\\_memorandum-en-58119e2d-faf6-4faa-9bc1-d1918343bb6e.html](http://www.cvce.eu/obj/the_benelux_memorandum-en-58119e2d-faf6-4faa-9bc1-d1918343bb6e.html).

<sup>2</sup> Note from the European Revival Department at the Quai d'Orsay (May 1955, in response to the Benelux Memorandum). See: [http://www.cvce.eu/obj/note\\_from\\_the\\_european\\_revival\\_department\\_at\\_the\\_quai\\_d\\_orsay\\_may\\_1955-en-55d376a7-7740-4dc5-b23d-c0c93f0e3e0c.h](http://www.cvce.eu/obj/note_from_the_european_revival_department_at_the_quai_d_orsay_may_1955-en-55d376a7-7740-4dc5-b23d-c0c93f0e3e0c.h).

The Messina Conference, held from 1 to 3 June 1955 and concluding in a resolution<sup>3</sup>, paved the way for the Treaty signed in March 1957.

It is interesting to note that the UK Government was not willing to embark on such an ambitious project or to transfer part of its sovereignty to an independent body, and, while the negotiations on the Treaty were under way, it started a diplomatic initiative to create a free trade area using the Organisation for European Economic Cooperation (OEEC)<sup>4</sup> as a platform for launching it.

## **1957 EEC Treaty**

The Treaty establishing the European Economic Community (EEC)<sup>5</sup> was finally signed in Rome on 15 March 1957. The Treaty created a common market founded on 'four freedoms' (Article 3), namely the free movement of persons, services, goods and capital, and set the objective of developing four specific common policies: commercial, agricultural, transport and competition. It established a 12-year period for achieving a single economic area based on free competition between undertakings. It also laid down the basis for harmonising the conditions governing trade in products and services over and above those already covered by the other Treaties (ECSC and Euratom).

The institutions were the same as for the ECSC, though the Commission had a reduced role, as, while it maintained the exclusive right of initiative and of implementing the budget, it had a limited power of decision. The Parliamentary Assembly<sup>6</sup>, which later became the European Parliament, had a merely consultative role, while the Council played a central role in the decision-making process.

Many historians and political scientists have debated the nature of the EEC Treaty. Joaquín Roy gives a good summary<sup>7</sup> of various positions. It is difficult to constrain European integration under a rigid definition, considering the dynamic of the Treaty and the evolution over the decades. Although the ECSC was based on a supranational model, the EEC Treaty was closer to the state-centric theory of intergovernmentalism, as the decision-making power was concentrated in the Council, and indirectly in the Member States.

## **Financial provisions of EEC Treaty**

The EEC Treaty differed considerably from its predecessor, the ECSC Treaty. While the ECSC Treaty did not contain a budgetary procedure for all the activities of the Coal and Steel Community – only one article (78) on the preparation of the administrative budgets – the EEC Treaty has an entire chapter of financial provisions. The main principles of those provisions have survived for many decades; other parts have been modified by the Budgetary Treaties of 1970 and 1975, and more recently by the Lisbon Treaty.

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<sup>3</sup> Resolution adopted by the Ministers of Foreign Affairs of the Member States of the ECSC at their meeting at Messina (1-3.6.1955), Historical Archives of the EU (HAEU), Florence.

<sup>4</sup> Created in April 1948 with 18 States to administer the Marshall Plan. For more details, consult the website: <http://www.oecd.org/general/organisationforeuropeaneconomicco-operation.htm>.

<sup>5</sup> Full text of the Treaty at: <http://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:11957E/TXT&from=EN>.

<sup>6</sup> The Assembly was composed of 142 Members, designated by the national parliaments (D, F, I: 36; B, NL: 14; Lux 6).

<sup>7</sup> Joaquín Roy, 'All roads lead to Rome', in Finn Laursen, *Designing the European Union: from Paris to Lisbon*, Palgrave, 2012, pp. 69 ff.

## Principles

Before analysing the influence of the different institutions on the budgetary process, it is worth looking at the financial provisions of the EEC Treaty<sup>8</sup>. The whole structure is based on four basic principles, which are embedded in Title II of the Treaty.

1. **Unity** (Article 199): all forecasts of revenue and expenditure should be included in the estimates and in the budget. In fact, this principle was not fully respected and exceptions were permitted: the ECSC and Euratom had separate budgets. The situation improved with the 1970 Treaty, even though the exception of the European Development Fund remains.
2. **Equilibrium** (Article 199): budgetary equilibrium is achieved when revenue is equal to expenditure. The EEC budget cannot have a deficit. The ECSC budget had more flexibility, as equilibrium was found on a multiannual and not an annual basis. Unlike the Member States, the Community, as such, cannot borrow to cover its expenditure. Compliance with this principle was straightforward in the early years, as the Member States paid into the budget to balance the Community's expenditure. The situation became more complicated when financing was only by own resources, the final amount of which was, by definition, less predictable.
3. **Annuality** (Article 202): expenditure is authorised for a budgetary year, which runs from 1 January to 31 December. An exception is made in the Treaty whereby it is possible to carry over, to the following year, some appropriations, except those that are staff-related.
4. **Specification** (Article 202): appropriations are authorised with a specific finality that can only be changed by the Budgetary Authority. Credits are grouped by nature, in chapters.

## Revenue

Article 200 set the share to be paid into the EEC's general budget by each Member State<sup>9</sup>. It also set a scale for calculating contributions to cover the expenditure of the Social Fund<sup>10</sup>, arising from the need to reinforce the redistributive role of the budget in order to boost support for less-favoured economic sectors in the EEC.

As the Treaty had the potential for developing common policies, Article 201 provided for the possibility of replacing Member State financing with genuine own resources and pointed to the customs duty as a potential European tax to be paid into the EEC general budget in order to (at least partially) substitute Member States' contributions. The Treaty then instructed the Commission to draw up proposals to be submitted to the Council, which would decide on them unanimously, with ratification by the national parliaments, if so requested by the respective constitution.

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<sup>8</sup> The same procedure is set out in the Euratom Treaty.

<sup>9</sup> Article 200 of the EEC Treaty on the financial contributions of Member States to the general budget (D, F, I: 28 %; B, NL: 7.9 %; Lux: 0.2 %).

<sup>10</sup> Article 200 of the EEC Treaty on the financial contributions of Member States to the social fund (D, F: 32 %; I: 20 %; B: 8.8 %, NL: 7 %; Lux: 0.2 %).

## **Budgetary procedure**

The budgetary procedure set out in the EEC Treaty marks a shift from the more 'supranational' ECSC. Under Article 203 of the EEC Treaty<sup>11</sup> the budgetary powers are concentrated in the Council (therefore in the Member States). The procedure is divided in five phases:

1. Each institution submits its own draft estimates of its expenditure to the Commission;
2. The Commission groups the estimates in the preliminary draft budget (PDB) and presents it to the Council, with possible comments on the other institutions' draft estimates, by 30 September at the latest;
3. The Council consults the Commission – and, where appropriate, the other institutions concerned – whenever it diverges from the PDB. Acting by a qualified majority, it establishes the draft budget (DB) by 31 October at the latest;
4. The DB is presented to the Assembly, which can either approve it or, within one month from when the DB is presented, propose modifications and submit them to the Council;
5. The Council, acting by a qualified majority, finally decides on any modifications proposed by the Assembly.

Even though the Assembly had a recognised role in the budgetary procedure, which was progress compared with the ECSC Treaty, the Council remained the only budgetary authority, and during the twelve years of application of those rules, the Council always confirmed its first-reading decisions in the second reading. There was no obligation for the Council to consider and/or vote on the modifications proposed by the Assembly.

The Treaty<sup>12</sup> also made provisions for non-adoption of the budget within the deadlines set by Article 203. In this case, the rule of 'provisional twelfths' would apply: every month 1/12 of the amount paid the previous year would be reserved to finance existing policies until the definitive budget was adopted, with the possibility of the Council authorising new expenditure. This confirmed the predominant role of the Council in budgetary matters.

## **Execution and control**

The Commission was entrusted<sup>13</sup> with implementing the budget, but each institution had the autonomy to implement its own budget. The Council was responsible for adopting the financial regulation<sup>14</sup>, which determined the rules governing the establishment, implementation and control of the budget. The Commission was also authorised to adopt transfers between chapters, without the agreement of the Council, under an exception to the principle of specification.

The Treaty also specified that all the accounts of the implemented budget were to be audited by an independent body – a budgetary control committee<sup>15</sup> appointed by the

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<sup>11</sup> Article 177 of the Euratom Treaty.

<sup>12</sup> Article 204 of the EEC Treaty.

<sup>13</sup> Article 205 of the EEC Treaty.

<sup>14</sup> Article 209 of the EEC Treaty.

<sup>15</sup> Article 206 of the EEC Treaty.

Council. This committee submitted an annual report to the Council and to the Assembly on the legality of the implementation of the budget, together with a financial balance sheet. Based on this annual report, the Council granted 'discharge' to the Commission (final approval of the budget for a given year).

To conclude, the financial provisions of the Treaty of Rome determined the structure and mechanisms of the financial functioning of the Communities. They represented the starting point of a decision-making process, which would evolve over time because of the evolution of the interinstitutional balance and the need to introduce more democratic control over EEC expenditure. The national parliaments of the six founding Member States had no power over the EEC's expenditure and mechanisms, as all the power was concentrated in the governments. In the very early years, when the EEC budget was a mere administrative budget, this shift of power was in line with other international organisations, but once the EEC started to 'implement' the Treaty, creating new common policies, the problem of their financing and of the democratic deficit took on another dimension and led to the successive revision of the Treaties.

### **Parliamentary Assembly during the period 1957-1964: The first conflicts**

During this period, the Assembly took a very critical approach to the Council. From the outset, the Assembly had made clear in parliamentary reports and plenary debates what it thought its role should be in the budgetary domain. The fact that the Assembly was composed of members elected in their national parliaments, and who often had extensive parliamentary experience, helped to instil at European level the best traditions of the national parliaments.

In the early procedures, the Council ignored the positions expressed by the Assembly. Ministers did not regard the Assembly as part of the procedure. There was no obligation for the Council to justify itself to the Assembly; it was only a formality. Ministers sitting in the Council felt accountable, if at all, to their respective national parliaments, but certainly not to the Assembly. In this context, we cannot even talk of conflicts, but rather of strong concerns on the part of the Assembly, which were ignored by the Council. During a parliamentary debate on 15-17 December 1958<sup>16</sup>, Franz Etzel, representing the Council, declared: "The Parliament has no responsibilities over the Council of ministers. Collaboration is achieved on the basis of the treaties."

The Assembly was consulted not out of a desire to exercise democratic control over the Council's decisions, but out of mere respect for the Treaty. During the first few years, the Council was more than reluctant to answer questions from Members of the Assembly or to justify its decisions.

The Council's position was not sustainable in the long run and the Assembly's 'moral suasion' began to yield some positive results. The paragraphs below highlight the main points raised about the budgetary procedures (1958-1964). During this period the EEC budget started to grow, adding operational expenditure to the administrative costs. The administrative budget, at that time, had a central role in the construction of the European project: qualified staff were necessary for developing new European policies.

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<sup>16</sup> Debates of the European Parliament, sitting of 15.12.1958, p. 36.

As a first budgetary act, the relevant committee<sup>17</sup> of the Assembly presented a document<sup>18</sup> in which, together with its opinion on the first 1958 Budget, it outlined some guidelines for the implementation of the budgetary provisions of the Treaty. This document set the main framework that would be more precisely defined in the successive yearly procedures.

The paragraphs below not only give a description of the main issues at stake in the start-up period 1958-1964, but also explain their relevance over the years.

### **Absence of dialogue**

One of the major difficulties for the Committee on Administration of the European Parliamentary Assembly and the Budget of the Communities (also known as the Committee on Administration and Budgets), as denounced by the chair and rapporteur in the debate of 10 April 1959<sup>19</sup>, was the lack of justification for Council decisions. The Council even ignored the written questions addressed to it by the Assembly.

### **Respect for the calendar**

The Assembly pointed to the fact that the Council had not presented its draft estimates in accordance with the calendar set by the Treaty, and, as a result, the draft budget had reached the Assembly after the deadline set by the Treaty. The Assembly feared that the Council's attitude revealed a disregard for the rules of the Treaty, a fear that appeared to be more than justified, as the situation repeated every year until the 1963 budgetary procedure. Even with no real power, the Assembly denounced the Council's attitude:

Le fait que les Conseils n'aient pas, comme pourtant les Traités le leur imposent, établi les projets de budget pour 1959, risque d'entraver sérieusement le fonctionnement des institutions à une époque où pourtant leur activité doit être d'autant plus intense, étant donné les nombreuses et importantes mesures qu'il leur appartient de prendre, au moment de la première ouverture du Marché Commun.

Votre Commission n'a relevé aucune disposition des Traités permettant aux Conseils de reporter de leur propre initiative l'établissement des projets de budget à une date dépassant celle à laquelle ils doivent normalement prendre effet, c'est-à-dire au 1er janvier.

The problem of the calendar was more complex, given the underlying political dimension. In later procedures, when the Council respected the calendar established by the Treaty, the Assembly realised that this calendar did not leave enough time for a thorough examination of the draft budget. A satisfactory solution for this problem was found only years later.

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<sup>17</sup> The Committee on the Administration of the European Parliamentary Assembly and the Budget of the Communities.

<sup>18</sup> Document 50, November 1958, Historical Archives of the European Parliament (HAEP), PEO AP RP/BUDG.1958 A0-0050/58 0010. Please note: before the 1.1.1973, the English version of most HAEP archival documents is not available.

<sup>19</sup> Vals, chair of the Committee on Administration and Budgets, Janssen, rapporteur.

## Political representation of the Council

The Assembly raised the issue of the absence of political representation of the Council at its plenary meetings. In response, the Council announced the creation of a committee of 'budgetary experts' (the predecessor of the Budgetary Committee of the Council), entrusted with the task of representing the Council before the Assembly. However, this was not acceptable for the Assembly (p. 14).

13. D'autre part, les Conseils ne peuvent, d'après les Traités, créer ni à plus forte raison institutionaliser des organes qui n'y sont pas prévus.

Votre Commission s'est ainsi demandé selon quelles dispositions du Traité un Comité d'experts composé de fonctionnaires des administrations nationales avait-il été introduit dans la procédure d'établissement du projet de budget de fonctionnement pour l'exercice 1959.

The Assembly's firm stance encouraged the Commission to follow suit and refuse to engage in direct discussions with the national experts. The Council's 'experts' could meet Commission staff only to exchange views and clarify purely technical elements (p. 17). The situation was complicated further by the fact that the Council's 'group of experts' wanted to replace the Committee of the Four Presidents<sup>20</sup> (p. 21), the budgetary authority for the ECSC's administrative expenditure.

Votre Commission a cependant été informée que le Conseil a confié l'examen du projet d'arrêté à un groupe d'experts qui, dès le début de ses travaux, aurait proposé de remplacer le collège des Présidents par un collège de fonctionnaires des institutions intéressées, qui se substitueraient ainsi aux Présidents dans l'ensemble de la procédure qui fait l'objet de l'arrêté.

Votre Commission proteste énergiquement contre cette conception qui risque d'enlever toute efficacité à l'accord prévu à l'article 6 de la Convention relative aux institutions communes. Elle a insisté pour que l'arrêté d'application, dans sa rédaction finale, garantisse que le collège des présidents puisse fonctionner effectivement au plus haut niveau, afin de donner à ses délibérations toute l'autorité nécessaire.

## Autonomy of the Parliament's budget

The Parliament protested against the Council when its budget for administrative expenditure was reduced without any justification. During the 1961 budgetary procedure, the Council invited, for the first time, a delegation from the Parliament, led by its President and including members of the Committee on Administration and Budgets, to discuss the reduction in the Parliament's estimates. This encounter, which would later be formalised

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<sup>20</sup> See Article 78 of the ECSC Treaty. The Committee of the Four Presidents, chaired by the President of the Court of Justice, acted as a sort of budgetary authority responsible for establishing the administrative budgets of each institution.

as a 'trilogue' before the event, was an achievement in form, but produced no concrete results in substance. The Council reduced the parliamentary budget as planned.

## **Budgets**

During this period, the Commission started the practice of presenting amending and supplementary budgets to remedy the Council's restrictive decisions, which would have jeopardised the implementation of the Treaty. The Assembly expressed its strong opposition to this practice<sup>21</sup>, inviting the Council to finance all foreseeable activities at the time of the annual decision of the budget. The Council preferred to adopt a more restrictive budget and later concede to a supplementary budget later in the year.

Enfin, la commission a souligné à plusieurs reprises que, pour une autre raison encore, le recours à des budgets supplémentaires ne répond pas à une bonne gestion financière. En effet, les Communautés d'emplois nouveaux. Aussi cette procédure ne peut-elle être utilisée que pour faire face à des dépenses résultant de faits nouveaux ou d'un accroissement imprévu et substantiel des tâches existantes, intervenues depuis l'arrêt du budget de l'exercice en cours. »

Another drawback of the practice of supplementary budgets was the risk of overlapping procedures, especially when discussions fell in the same period, as was the case for the supplementary budget for 1962 and the 1963 budget<sup>22</sup>.

Practically all the points raised by the parliamentary committee in its first budgetary report have reappeared in subsequent reports to the present day, demonstrating the clear desire of the Members of the Assembly/ Parliament – even when it was not directly elected – to secure more respect and influence for their institution.

## **Modifications to the budget: the Assembly approach**

The ECSC Assembly succeeded in gaining influence over the years and in engaging in a political debate with the High Authority on policy and budgetary choices, even with no formal procedure provided for in the Treaty.

The EEC Assembly followed its example and started to introduce modifications to the draft budget. During the period 1958-1964, the Assembly focused its modifications on the following areas:

### **Operational expenditure**

The Assembly supported Commission expenditure requests, and where necessary increased them, in the following areas:

- 1. Information policy on European activities.** The information was managed by a service common to the three Commissions (ECSC, Euratom and EEC). The

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<sup>21</sup> Résolution du 21 novembre 1962 sur les projets de budgets de fonctionnement de la C.E.E. et de la C.E.E.A. (doc. 95 et 96) et sur le projet de budget de recherches et d'investissement de la C.E.E.A. établis par les Conseils pour l'exercice financier 1963, HAEP, PE0 AP RP/BUDG.1961 A0-0113/62 0001, OJ 62, 14.12.1962, pp. 2855-2856.

<sup>22</sup> Debates of the European Parliament, sitting of 21.11.1962, p. 140.



Council regularly reduced the proposals of the preliminary draft budget in this area, and the Assembly defended the Commission's requests;

2. **Initiatives for young people.** The Assembly voted in favour of increasing the appropriations allocated to young people in order to create a European spirit;
3. **European Social Fund.** The Assembly scored a success in this area, as its request to allocate more resources to the European Social Fund to enable a swift reaction when necessary was fulfilled by the Council in the 1960 budget;
4. **Research.** The Assembly insisted on a more transparent research plan and supplementary credits for this policy

### **Administrative expenditure**

During this 'start-up' period, the administrative budgets had a crucial role; the development of European policies, their implementation and control through the recruitment of qualified staff allocated to the institutions.

1. **The staff of the institutions.** The Council had a very restrictive view on the number of staff to be allocated to the other institutions, but a more relaxed attitude towards its own staff. The Assembly took a very clear stand supporting the Commission's requests: its report of November 1958 stated (p. 26):

24. L'augmentation des effectifs du secrétariat des Conseils de Ministres est importante par rapport à ceux du secrétariat du Conseil spécial de la C.E.C.A. pour les exercices financiers précédents.

Ce sont les Commissions européennes qui ont pour mission de faire les études, de rassembler tous les éléments nécessaires et finalement de soumettre aux Conseils des propositions, sur lesquelles il appartient à ceux-ci de décider, dans les conditions prévues par les Traités. En plus, ce sont les Commissions européennes qui doivent veiller à l'application des mesures décidées.

Celles-ci ont donc besoin des effectifs les plus importants parmi les institutions des Communautés, et ceci dès la mise en vigueur des Traités de Rome. Ces traités couvrent en effet des domaines très divers et fort vastes. D'autre part, les traités prévoient pour les premières années de nombreuses mesures à prendre soulevant des problèmes complexes dont l'examen doit être entrepris dès à présent.

In a sign of discontent with the Council's policy, the Assembly proposed a modification to the 1959 draft budget<sup>23</sup> to reduce the Council's administrative budget by one Belgian franc.

- 2. The seat of the institutions.** The Assembly considered that the absence of a decision on the seat of the institutions increased its administrative costs.

ii) *Les répercussions de l'absence d'un siège sur les dépenses de l'Assemblée*

**42. En établissant son état prévisionnel, l'Assemblée doit tenir compte des répercussions fâcheuses de l'absence d'un siège.**

La navette que les parlementaires et les fonctionnaires chargés de les assister doivent faire sans cesse entre plusieurs villes, les nécessités de procéder chaque fois à des déménagements parfois complets du secrétariat, lorsqu'on siège à Strasbourg, par exemple, et toujours importants lorsqu'on doit se déplacer de Luxembourg à Bruxelles ou en d'autres lieux, tous ces faits entraînent obligatoirement du personnel supplémentaire.

A symbolic modification to reduce the rent item in the Council's budget by one Belgian franc was then proposed by the Assembly<sup>24</sup>.

To conclude, many of the points raised by the Assembly at the very beginning of its involvement in the European budgetary process are particularly important and some of them still relevant today, even if in a different legal and political environment.

## **First revision of the Treaty<sup>25</sup>: Merging the executives**

As early as 1959, shortly after the entry into force of the Treaty of Rome, the problem of the merging of the three Treaties<sup>26</sup> was put on the table by Jean Monnet<sup>27</sup>. The Assembly supported<sup>28</sup> the idea. The merger had two components. The first component was technical, including improving efficiency, streamlining procedures and ensuring greater transparency and clarity as regards the role of each body. The second component, linked to the 'step-by-step approach' of the Schuman declaration, was much more political and controversial. The merger was one of the steps necessary to achieve a more federal Community, which was in the mind of the Founding Fathers.

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<sup>23</sup> Résolution du 11 avril 1959 sur les projets de budget de fonctionnement de la Communauté économique européenne et de la Communauté européenne de l'Énergie atomique pour l'exercice 1959, HAEP, PEO AP RP/BUDG.1958 A0-0021/59 0001, OJ 59, 8.5.1959, pp. 548-551.

<sup>24</sup> *Idem*.

<sup>25</sup> For a detailed account of the negotiations of the Treaty, see Finn Laursen, *Designing the European Union*, *op. cit.*

<sup>26</sup> The ECSC, Euratom and EEC Treaties.

<sup>27</sup> In November 1959 the Comité d'action pour les États-Unis d'Europe proposed a merger of the executives.

<sup>28</sup> Résolution du 24 novembre 1960 relative à la fusion des exécutifs des Communautés européennes, HAEP, PEO AP RP/POLI.1958 A0-0098/60 0001, OJ 60, 16.12.1960, pp. 1509-1510.

The discussion on the merging of the executives is particularly relevant to this study for at least two reasons: a) for the first time the Parliament's role was formally put on the table and it was an important part of the negotiations between the various actors; b) the outcome of the negotiations, the adopted Treaty, reduced the Parliament's budgetary competences.

The Assembly while expressing, in two resolutions<sup>29</sup>, its support for the merging of the executives called to include in the new Treaty:

1. The right of the Assembly to adopt a motion of censure at any moment on the management of the executive;
2. An investiture vote by the Assembly on the Commission.

These positions were taken up by some national delegations. The Netherlands, for example, presented a formal proposal in 1961<sup>30</sup> for strengthening the Assembly's power.

In spite of the Dutch proposal, the discussions continued, with resistance from the French delegation. Then, in July 1963, after General de Gaulle vetoed the UK's accession to the Communities in January that year, France announced the withdrawal of its reservations and the negotiations took on a new impetus. According to many authors,<sup>31</sup> the French Government's change in position aimed to make amends for the upset caused among the five other governments by its veto of the UK's application.

## **Parliament's influence over the negotiations**

Once the discussions on the possible revision of the Treaty of Rome were under way, the Assembly (now the European Parliament<sup>32</sup>) set out to strengthen its role.

### **RÉSOLUTION**

#### **relative à la dénomination de l'Assemblée**

*L'Assemblée,*

- constatant que sa dénomination n'est pas identique dans les quatre langues officielles de la Communauté,
- décide de prendre le nom de «Parlement européen» en français et de «Parlamento europeo» en italien.

The committee responsible for institutional affairs submitted a number of reports to the plenary. The resulting resolutions made the institutional and diplomatic circles, as well as the public, aware of the need to make the European integration process more democratic.

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<sup>29</sup> *Idem*, Faure report (doc. 84, 7.11.1960) and the Battista report (doc. 98, 23.11. 1960), HAEP, PEO AP RP/POLI.1958 A0-0084/60 0010 and PEO AP RP/POLI.1958 A0-0098/60 0010.

<sup>30</sup> Presented by the Dutch Government in a note to the Council of 24.1.1961, HAEU, BAC 25/1980, 1079, p. 51 and seq.

<sup>31</sup> Pierre Gerbet, *La construction de l'Europe*, Armand Colin, 2009, p. 271.

<sup>32</sup> The Assembly decided on the 30 March 1962 to call itself the European Parliament: Résolution relative à la dénomination de l'Assemblée, presented by the Members Poher, Plevin and Birkelbach on behalf of their respective groups, HAEP, PEO AP PR B0-0012/62 0010, OJ 62, 26.4.1962, p. 1045. The change of name was formalised only in 1987 by the Single European Act (Art. 6).

Those resolutions, despite failing to introduce changes in the Merger Treaty, paved the way for the changes to come in 1970 and 1975.

### **Furler report (June 1963)**

The Furler report<sup>33</sup> took stock of parliamentary competences in the Member States and stressed how the 'transfers of powers from national to European authorities could be effected without having to have rules on the division of powers'. It also stated that the loss of power by the national parliaments was only compensated to a limited extent by the transfer of power to the European Parliament. The report also highlighted concrete cases of the influence of the consultation of Parliament on legislation adopted by the Council<sup>34</sup>.

The resolution based on the Furler report was adopted on 12 July 1963. Not only did it present ambitious ideas for extending the Parliament's powers through a revision of the Treaty, but it also proposed, in each of the four areas of major concern, possible improvements to the procedures, in particular:



**Hans Furler (1960)**

- 1. Appointment of the executive** with the Parliament's effective involvement. The resolution proposed enhancing the Parliament's role in a way that did not require a Treaty change, e.g. by means of a statement of programme to be made by the President of the Commission and followed by a vote. The report also suggested that the Parliament could choose the President of the Commission from a list of candidates submitted by the Member State governments and in turn give the President of the Commission the power to appoint the members, in agreement with the governments.

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<sup>33</sup> Résolution du 27 June 1963 sur les compétences et les pouvoirs du Parlement européen, HAEP, PE0 AP RP/POLI.1961 A0-0031/63 0001, OJ 63, 12.7.1963, pp. 1916-1918.

<sup>34</sup> Furler report, HAEP, PE0 AP RP/POLI.1961 A0-0031/63 0010, pp. 17-28.

2. **Consultative power:** the resolution aimed to transform the Parliament's consultative power into a right of approval (consent procedure). However, it also proposed improvements to the consultation procedure in order to enhance the Parliament's role. The Parliament requested that the Council reject its amendments only by unanimous vote and with just cause, and that it consult it once more should new elements be introduced. It also requested in its resolution that the Commission consult the Parliament as regards implementing rules.
3. **Ratification power:** the Parliament called for the power to ratify all international agreements, for regular information on the evolution of external relations and for consultation before the final signing of an agreement.
4. **Budgetary power:** the Parliament requested in the resolution that final adoption of the budget should fall within the Parliament's remit. It also requested that the Council present a political explanatory statement to justify its decisions; that the Commission present the preliminary draft budget at the same time to the Council and Parliament; and that the ECSC High Authority should not diverge from the Parliament's decision on the levy if the Parliament had reached that decision by qualified majority. Finally, the resolution recommended strengthening the Parliament's powers of control over expenditure.

## **Budgetary implications of the Merger Treaty**

The controversial points raised in the discussions, once they were under way, included not only the number of members of the executive and the seat of the institutions, but also the budgetary powers of the Parliament<sup>35</sup>. In a plenary debate in March 1963, the Council President stated two principles: there would be no change to the operational expenditure of the merged institutions would be harmonised, based on the rules of the EEC Treaty. This modification meant abolishing the Committee of the Four Presidents, which was the budgetary authority for the ECSC's administrative expenditure, over which the President of the Assembly had real power, as the decisions were taken unanimously.

### **Leemans report (1964)**

The Committee on Administration and Budgets analysed in a report<sup>36</sup> the direct consequences of the Merger Treaty in budgetary terms and set out the principles to be fulfilled if it were to agree to the merger:

1. To maintain the specific financing conditions of the ECSC Treaty and the specific nature of the financial activities carried out by the High Authority;
2. To harmonise administrative expenditure, setting the level of transfer from the ECSC fund and allowing adequate resources to continue developing the ECSC's activities;
3. To introduce a discharge procedure to be decided by the Parliament;
4. to introduce a single statute for all staff of the institutions;

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<sup>35</sup> Council Secretariat document, 19.3.1964, HAEU, BAC 118/1986, no 33, pp. 47 ff.

<sup>36</sup> Leemans report, HAEP, PEO AP RP/BUDG.1961 A0-0055/64 0010.

5. To compensate for the Parliament's loss of power resulting from the abolition of the Committee of Four Presidents following the Parliament's resolution of 12 May 1964.

Most of the principles defended by the Parliament, apart from the strengthening of its budgetary powers, were included in the final text of the Merger Treaty.

Even if the Parliament did not manage to ensure that the strengthening of its budgetary powers were included in the Treaty, a number of resolutions stressed the Parliament's practices in most Member States and highlighted the need to make the whole European process more democratic.

This subject was open for debate, and some governments and national parliaments took an active role in advancing concrete proposals<sup>37</sup> for revising Article 203, paving the way for the modification of the Treaties achieved in 1970 and 1975.

Several proposals were presented by national delegations. The German delegation sought to include in the Treaty an obligation for the Council to consider and vote on the Parliament's modifications, if they were budgetarily neutral, with

respect to the draft budget established by the Council. If the Parliament's modifications were not accepted, the Council would have to vote unanimously. The Luxembourg delegation proposed introducing qualified-majority voting in the Council to reject the Parliament's modifications. The Dutch delegation was more articulate; it sought to introduce a buffer between the Council and the Parliament: the Commission. The Parliament would vote by absolute majority and present the results of the vote to the Council and the Commission, which would give an opinion. The decision would remain with the Council, which could reject the Parliament's modifications by a simple majority, if



**Victor Leemans (1960s)**

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<sup>37</sup> All these proposals appear in Parliament's Vals report. Rapport fait au nom de la commission des budgets et de l'administration sur le renforcement des pouvoirs budgétaires du Parlement européen, 7.5.1964, HAEP, PEO AP RP/BUDG.1961 A0-0028/64 0010.



it was in line with the Commission's opinion, or by a qualified majority, if the Council diverged from the Commission's opinion. In this text, the constraints on the Parliament to present only budgetarily neutral modifications disappeared. However, the Council could reject the Parliament's modifications more easily.

Though the above proposals all aimed in the same direction – the strengthening of the Parliament's budgetary powers – the French delegation did not share the view of its counterparts and clearly stated that France was against giving the Parliament more powers in this domain. It considered the change too political to be treated in a merger of the executives, which it regarded as a purely administrative and technical issue, and it proposed postponing the matter. The French point of view prevailed, but the issue was now on the table.

The President of the Commission, Walter Hallstein, was in favour<sup>38</sup> of transferring the competences of the Committee of the Four Presidents, tasked with approving administrative expenditure for the ECSC institutions, to the Parliament, as part of the strengthening of its budgetary powers. The Commission took a cautious approach in 1964, as it felt there was no unanimity within the Council on this issue.

### **Signing of the Treaty**

The reinforcement of the Parliament's budgetary powers did not make it into the new Treaty, but other important issues were addressed<sup>39</sup>:

1. The number of Members of the Commission was set at 9, but after a transitional period it was increased to 14, given the large number of tasks for which the merged executives were responsible;
2. Staff of all the institutions were given a single statute;
3. The specific nature of the financing of the ECSC was maintained, as well as the prerogatives of the High Authority concerning its operational budget;
4. The administrative budgets were harmonised, in line with the rules of the EEC Treaty;
5. A fixed amount of 18 million accounting units was set, derived from the ECSC levy, for the single administrative budget;
6. last but not least, the issue of the seat of the institutions was resolved in March 1965: Brussels, Luxembourg and Strasbourg were all named as provisional seats of the European institutions, a provisory decision which, 50 years later, still has serious consequences for the organisation of the institutions, and in particular the Parliament.

Following this agreement, the Intergovernmental Conference (IGC) was convened in April 1965, and the Treaty was signed in Brussels.

To conclude, it is interesting to note that the strengthening of the Parliament's budgetary powers appeared during the ratification by the national parliaments. The Dutch Tweede Kamer (second chamber) asked the government to present proposals for changing the

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<sup>38</sup> Declaration before the Political Committee of the European Parliament, 20.2.1964, HAEU, BAC 118/1986, no 36, p. 19.

<sup>39</sup> Council: Explanatory statement on the Merger Treaty. 5.4.1965, I/25/65, HAEU, BAC 118/1986, no 35, p. 27.

budgetary procedure, introducing a genuine own-resource system in order to give the European Parliament the same competences as national parliaments had in establishing and monitoring the budget. The same text called on the Dutch government to support the direct election of the European Parliament<sup>40</sup>. A similar position was expressed by the Italian parliament, whose delegation, alongside the Dutch delegation, stated its views at a Council meeting<sup>41</sup> in April 1964.

These positions showed that the aim of strengthening the Parliament's budgetary and control powers was not just wishful thinking but, rather, an opinion widely shared by different stakeholders. The Parliament felt authorised to go further down that road with a resolution, which outlined the modifications necessary to make the European project more democratic.

## **Ambitions of the Parliament**

The reduction of the Parliament's powers in the Merger Treaty pushed the question of its role in budgetary matters to the top of the political agenda. Even though the French position had blocked the immediate change in the 1965 Treaty, the matter was open for debate.

The Committee on Administration of the European Parliamentary Assembly and the Budget of the Communities prepared a detailed report in May 1964<sup>42</sup> outlining the position of the Parliament. The resolution<sup>43</sup> adopted presented a revised version of draft Article 203 of the Treaty of Rome, inspired by proposals made by some national delegations.

In particular, the Parliament believed that the proposed modifications could compensate for the loss of power of the national parliaments in areas such as agriculture where they had lost control over the use of funds to the European Communities. Article 203, as proposed by the Parliament, contained the following points:

1. The budgetary year for the Communities runs from 1 January to 31 December<sup>44</sup>;
2. Each institution submits its draft estimates to the High Commission<sup>45</sup>, which prepares the preliminary draft budget (PDB);
3. The PDB should be sent simultaneously to the Council and Parliament by 30 September;
4. The Council adopts the draft budget (DB) by a qualified majority by 31 October and presents it to the Parliament;

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<sup>40</sup> Council of Ministers: Letter sent by the President of the Tweede Kamer (Dutch Second Chamber) to the President of the Council, 14.6.1965, S/560/65, HAEU, BAC 118, no 36, p. 50.

<sup>41</sup> Council of Ministers: Minutes of the in-camera meeting of the Council, Fanfani/Luns declaration, HAEU, BAC 118/1986, no 36, p. 54.

<sup>42</sup> Vals report. Rapport fait au nom de la commission des budgets et de l'administration sur le renforcement des pouvoirs budgétaires du Parlement européen, *op. cit.*

<sup>43</sup> Résolution du 12 mai 1964 sur le renforcement des pouvoirs budgétaires du Parlement européen, HAEP, PE0 AP RP/BUDG.1961 A0-0028/64 0001, OJ 64, 27.05.1964, pp. 1263-1265.

<sup>44</sup> ECSC budget year runs from 1 July to 30 June.

<sup>45</sup> Parliament was in favour of naming the executive the 'High Commission', merging the definition of the ECSC and EEC Treaty. France opposed this change.



5. For up to six weeks the Parliament can propose modifications to the DB, provided it has a majority of the Members present and a two-third majority of the votes;
6. The Council should vote on each modification presented by the Parliament:
  - a) Unanimously, if modifications are financed with own resources;
  - b) Deciding by qualified majority for other expenditure, including administrative expenses.

As regards the ECSC budget, the Parliament's resolution proposed that:

1. If, deciding by qualified majority, it modified the levy, the High Authority would be obliged to accept the Parliament's position.

The resolution also suggested two recommendations for improving the Parliament's organisation:

1. The budgetary debate in plenary should be introduced by a presentation by the executives and the Council on the annual working programme.
2. The budgetary debate should be closed by a roll-call vote on all the budget lines.

The resolution adopted by the Parliament, even if it failed to modify the 1965 Treaty, paved the way for a revision of the Treaty on budgetary matters in 1970 and 1975.



## 1965-1969: FORGING MODIFICATIONS TO THE BUDGETARY POLICY

The transitional phase of the common market was over. The Commission had not only to present a coherent plan for financing the Common Agricultural Policy (CAP), but also to create genuine own resources. Walter Hallstein, President of the Commission, felt that those proposals should have been accompanied by strengthening the role of the Commission and Parliament in budgetary matters. The Commission's proposals provoked a wide debate in the capitals of the Member States and between the institutions, as well as a first institutional crisis ('the Empty Chair' crisis), and led to the Interinstitutional Conference, which offered a global solution for the financing of the EEC.

### **Another institutional and budgetary battle: The first European crisis**

The agreement on the Merger Treaty did not solve the problems raised in the budgetary domain and was not conducive to a period of calm for the institutions. The second half of 1965 saw one of the most serious crises in the history of the European project: an institutional crisis linked to policy developments, in particular the financing of the agricultural policy, own-resource budgetary issues and the role of the European Parliament.

This conflict was another fundamental step in defining the financial structure of the European Community and the role of the European Parliament, which led to the revision of the EEC Treaty in 1970 and 1975. The outcome of the crisis, the Luxembourg Compromise, produced a shift in the balance of power, which also influenced the budgetary process.

The conflict saw the French Government, which regarded the financing of the CAP as its highest priority<sup>46</sup>, pitted against the five other governments, which were more interested in developing other policies<sup>47</sup> and in a more democratic system enhancing the role of the European Parliament.

Piers Ludlow<sup>48</sup> recognises that the clash between France and its partners was mainly due to a different conception of Europe and in particular the relative role of the CAP in the development of European policy, but also 'at deeper level, the conflict was about leadership'.

The crisis of 1965 should be seen 'not as the product of French dissatisfaction with the Community as it existed, but on the contrary as the outcome of mounting frustration

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<sup>46</sup> Thanks to the CAP, French exports in the EEC area rose from 23% in 1958 to 45% in 1963. See Jean-Marie Palayret, Helen Wallace, Pascaline Winand, *Visions, Votes and Vetoes: The Empty Chair Crisis and the Luxembourg Compromise forty years on*, Peter Lang, 2006, p. 50.

<sup>47</sup> The German Foreign Affairs Minister, Gerhard Schroeder, introduced the concept of 'synchronisation' of European policies, for parallel development of all sectors of integration, in particular the customs union, Council of 1-2.4.1963.

<sup>48</sup> N. Piers Ludlow: 'Challenging French Leadership in Europe: Germany, Italy, the Netherlands and the Outbreak of the Empty Chair Crisis of 1965-1966', *Contemporary European History*, vol. 8, no 2, July 1999, Cambridge University Press, pp. 231-248.

amongst all of France's partners, Germany, Italy and the Netherlands in particular, about the extent to which the French had been able to dominate the formative years of the EEC' (Ludlow, p 233).

## **Commission proposals**

Regulation 25/62 (which launched the first European policy) on the financing of the common agricultural policy was due to expire in June 1965 and had already set the agenda for further action. In fact, Article 2 of the regulation established that:

"Revenue from levies on imports from third countries shall accrue to the Community and shall be used for Community expenditure so that the budget resources of the Community comprise those revenues together with all other revenues decided in accordance with the rules of the Treaty and the contributions of Member States under Article 200 of the Treaty. The Council shall, at the appropriate time, initiate the procedure laid down in Article 201 of the Treaty in order to implement the above-mentioned provisions."

The discussions in the Council were complex. One Member State, France, was adamant to complete and further develop the agricultural policy. The other five wanted to complete the unresolved points of the Merger Treaty, i.e. introducing more democratic control and strengthening the power of the European Parliament (the position championed by the Netherlands), and also to develop other policies, in particular the internal market (the position championed by Germany).

On 15 December 1964, in spite of the different approaches of the Member States, the Council unanimously invited the Commission to submit proposals on the financing of the common agricultural policy for the period 1965-1970. This request marked the beginning of a new phase in the development of the Community and was the first attempt at creating a common policy.

"The Council [...]:

(g) invites the Commission to submit to the Council before 1 April 1965 [...] proposals for the financing of the common agricultural policy for the period 1965-70.

(c) [...] invites the Commission to submit, within the framework of its proposals on Regulation No 25 referred to in paragraph (g) of this resolution, proposals on the conditions of application of Article 2 of Regulation No 25 from the date of entry into force of the common prices for the different agricultural products."<sup>49</sup>

Following the mandate of the Council, the Commission presented its proposals on 22 March 1965, under the responsibility of the President of the Commission, Walter Hallstein, and the Commissioner for Agriculture, Sicco Mansholt. They considered that it was time to go a step further in the European integration process, following the Schuman Declaration of 9 May 1950. In normal circumstances, a dossier of this kind, i.e. on the implementation of a specific policy, should have been dealt with by the commissioner responsible, but President Hallstein regarded this as a special case and wanted to take full responsibility for one of the first 'packages'<sup>50</sup> in the history of the European project, which was meant to mark progress in the European integration process.

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<sup>49</sup> Translated from the German.

<sup>50</sup> COM(65)0150.

The package was composed of three pillars: a) the financing of the CAP; b) own-resources for the EEC; c) strengthening of the budgetary powers of the European Parliament.

The proposal on the financing of the CAP was the most urgent as Regulation 25/62 was due to expire in 1965. The second proposal was the logical complement to this, creating an own-resources system based on Article 201 of the Treaty. Finally yet importantly, the third proposal was a prerequisite for the financial autonomy of the EEC, the strengthening of the European Parliament's competences, which was largely supported by 5 of the 6 Member States, even if their views differed.

## **Content of the proposals**

- 1. Financing of the agricultural policy:** this proposal set the date of 1 July 1967 as the end of the transitional period, after which the European Agricultural Guidance and Guarantee Fund (EAGGF) should directly finance the agriculture products covered by the common market organisation<sup>51</sup>.

The Guarantee Section of the EAGGF was meant to finance refunds on exports to third countries and interventions to stabilise the markets and other measures, where necessary.

The Guidance Section was meant to finance improvements to the production, marketing and adaptation of agricultural products.

The Commission also proposed dismantling the intra-Community barriers, agricultural levies and customs duties for all other products from 1 July 1967.

- 2. Own resources:** Article 201 of the EEC Treaty stipulated:

"The Commission shall examine the conditions under which the financial contributions of Member States provided for in Article 200 could be replaced by the Community's own resources, in particular by revenue accruing from the common customs tariff when it has been finally introduced.

To this end, the Commission shall submit proposals to the Council.

After consulting the Assembly [European Parliament] on these proposals the Council may, acting unanimously, lay down the appropriate provisions, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements."

Further to the provisions of the Treaty, there was an economic rationale for creating own resources: on 1 July 1967 common prices were introduced for agricultural products, as well as common customs duties for the import of non-agricultural goods. The abolition of internal borders allowed the free circulation of products within the territory of the 'Common Market', so the place of import did not necessarily correspond to the place of consumption. It was no longer justified that the revenue from customs duties and levies charged at an external border of the EEC be kept by the Member State which collected them. The proposal then established that customs duties and levies

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<sup>51</sup> Cereals, meat (and specifically pigmeat), eggs, poultry and cereal-based products.

should be gradually transferred<sup>52</sup> to the EEC. In case the own resources could not balance the expenditure of the budget, a GDP contribution from the Member States was provided for.

**3. Budgetary powers of the European Parliament:** The Commission proposal was inspired by the proposals presented during the negotiations on the Merger Treaty<sup>53</sup>. The Parliament and the Commission became part of the budgetary procedure with influence over decisions resulting from Council majorities. The proposal for modification of Article 203 provided for:

- a) The consultation of the Parliament on the draft budget established by the Council;
- b) Powers granted to the Parliament to introduce amendments, with no limitation;
- c) Powers granted to the Commission to give an opinion on the Parliament's amendments;
- d) New rules whereby the Council must have an unweighted majority (i.e. the backing of four Member States) to modify/reject the Parliament's amendments, if not endorsed by the Commission (i.e. if the Parliament gains the support of three governments its amendments are deemed approved);
- e) New rules whereby the Council must have an unweighted majority of five Member States to modify/reject the Parliament's amendments endorsed by the Commission (i.e. if two governments support the Parliament's amendments, they are deemed approved).

The Commission proposal was innovative and killed two birds with one stone: the reinforcement of the Parliament's competences and assigning a new role to the Commission in the final phase of the budgetary procedure.

### Negotiations

President Hallstein was aware that the French Government was keen on the proposal concerning the financing of the CAP, while the other five delegations considered it essential to make progress on the other two proposals relating to democratic control. The 'package' was structured around five points<sup>54</sup>:

1. For major agricultural products, the CAP mechanisms should enter into force on 1 July 1967 to avoid undue incentives;
2. The same date should be maintained for the entry into force of the customs union;

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<sup>52</sup> During the period 1968-1971, the Member States should have transferred to the Community one fifth of the collected levies and duties.

<sup>53</sup> Proposals were presented by the Netherlands, Luxembourg and German delegations and by the Parliament.

<sup>54</sup> *The European Commission, 1958-1972: History and Memories of an Institution*, Luxembourg, Publications Office of the European Union, 2014.

3. Giving the EEC full autonomy, by completely abolishing national contributions and assigning agriculture levies and external customs duties to the EEC, through a phasing-in process.
4. Compensating for the loss of control by the national parliaments by strengthening the powers of the European Parliament, which would be able to make modifications to the budget with the support of two Member States;
5. Strengthening the role of the Commission in the budgetary procedure. Modifications to the budget supported by the Commission would be able to be adopted by the Council by a simple majority.

The proposals were approved by the Commission despite opposition from the French Commissioner, Robert Marjolin. This attitude reflected the tense situation surrounding the development of the European project and the struggle for leadership of the process.

Aware of this situation, President Hallstein took another important decision. Deciding to neither consult nor inform the governments, on 24 March 1965 he presented the three Commission proposals, bundled in a single document, directly to the European Parliament. This decision, while appreciated by the Parliament, led to further irritation among the Member States and, in particular, in the Committee of Permanent Representatives (COREPER)<sup>55</sup>.

General de Gaulle did not hide his irritation, while the German Chancellor, Ludwig Erhard, clearly expressed his support for the package of Commission proposals. The same position was stated in the Council of 28 June that year by two Prime Ministers: Joseph Luns (Netherlands) and Amintore Fanfani (Italy). The situation became even tenser when the German Foreign Affairs Minister, Gerhard Schroeder, presented, on 30 June, a resolution to the Bundestag criticising the Commission for its modest proposals for strengthening the European Parliament's powers.

Despite intense negotiations, a deep gulf persisted between France's position and those of the other Member States, and even a final offer by the Commission to present a new compromise was rejected by the French Foreign Affairs Minister, Maurice Couve de Murville, who was also President of the Council. At midnight of 30 June, the President refused to 'stop the clock' and closed the meeting. The day after, on 1 July, Couve de Murville announced a French boycott of all Community activities, resulting in what became known as the 'Empty Chair' Crisis. It meant the absence of French representatives at Council meetings, but also at the meetings of COREPER and other preparatory bodies. Was this decision planned? Much has been written by historians, but they are divided on this point<sup>56</sup>: some consider that De Gaulle had had this in mind since the rejection of the Fouchet Plan<sup>57</sup>, others see this because of difficulties in finding an acceptable compromise, and others regard it as the outcome of a tough fight for leadership.

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<sup>55</sup> *Idem*, pp. 93-114.

<sup>56</sup> Jean-Marie Palayret et al., *Visions, Votes and Vetoes...*, *op. cit.*, pp. 45-77.

<sup>57</sup> The Fouchet Plan, proposed by President Charles de Gaulle in 1961, proposed a new 'Union of States', an intergovernmental alternative to the European Communities.

## Parliament's position

The Committee on Administration and Budgets was tasked with drafting a report<sup>58</sup> setting out its opinion on the Commission proposals. The resolution was adopted in plenary in June<sup>59</sup>. The Parliament was in quite a comfortable situation, as it had many allies in its battle to strengthen its budgetary powers: the Commission and five governments, which, despite having different approaches, had expressed their support for strengthening the Parliament's powers, in order to compensate for the loss of power of the national parliaments and to make European mechanisms more democratic.

The five governments' comfortable majority in the European Parliament also meant that the adoption of the report and the resolution was relatively uncontroversial.

### On the principles

The Parliament shared the view<sup>60</sup> of the Commission and some Member States on the 'complementary and indivisible nature of these proposals' and underlined the importance of achieving both an agricultural and industrial policy by 1 July 1967. The Parliament stressed that own resources entailed a change of procedure to 'provide a parliamentary control over budgetary matters and consequently over general economic policy'.

The Parliament criticised the Commission proposals because they only covered a first phase until 1 January 1972, and asked for further proposals with a view to the final stage, once the Assembly would be directly elected.

To conclude, the Parliament called for the inclusion of a number of fundamental principles in the revised Article 203, in particular:

1. Equal status for the Council and the Parliament, with both being allowed to present amendments to the Commission's draft budget;
2. The obligation for the Commission to attach an explanatory statement to its proposal;
3. The obligation for the Commission to present its opinion on the draft budget amended by the Council;
4. The obligation for the Council to inform the Commission and the Parliament of any amendments to the draft budget;
5. Longer deadlines for decisions of the Parliament.

### Amendments to the draft Treaty

The principles above were translated by the Parliament into legislative amendments, proposing the following:

1. Deadlines applicable to the Parliament extended from one to two months, to allow more time for Parliament decisions.

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<sup>58</sup> Résolution du 12 mai 1965 sur les propositions de la Commission de la C.E.E. au Conseil (doc. 27) relatives aux : I - Financement de la politique agricole commune, II - Ressources propres de la Communauté économique européenne, III - Renforcement des pouvoirs du Parlement européen, HAEP, PE0 AP RP/BUDG.1961 A0-0034/65 0001, OJ 65, 2.6.1965, pp. 1660 and seq.

<sup>59</sup> *Idem.*

<sup>60</sup> English version of the resolution on European Community own resources and the budgetary powers of the European Parliament, European Parliament Secretariat, October 1972.



2. An increase in the majority required in Council to modify/reject the Parliament's modifications where supported or modified by the Commission (from 4 to 5 Member States).
3. The right of the Parliament to reject the entire budget with the support of a majority of its Members and two thirds of votes cast.
4. The right of the Parliament, once directly elected, to amend any part of the budget, after requesting the (non-binding) opinion of the Council and the Commission.
5. Adoption of the budget by the Parliament to go ahead provided there was no increase on the revenue side; otherwise, the budget could only be adopted with the Commission's approval.
6. (for the definitive phase) the Parliament to have the last word on all amendments which did not increase the revenue side (allowing for compensation by reductions elsewhere), and with the Commission's approval only in case of increased expenditure.

*Article 2 bis*

Dès le moment où l'Assemblée sera désignée dans les conditions prévues au paragraphe 3 de l'article 138 du traité ou au plus tard à compter du 1<sup>er</sup> septembre 1971, les dispositions du paragraphe 4 de l'article 203 du traité de la C.E.E. visées à l'article 2 du présent traité sont remplacées par les dispositions suivantes :

« 4. a) Si le projet de budget n'a pas été modifié par l'Assemblée dans le délai de 2 mois à compter

de sa communication, il est réputé définitivement arrêté;

b) Si, dans ce délai, l'Assemblée entend modifier le projet de budget, elle consulte le Conseil et le cas échéant les autres institutions intéressées.

La Commission lui fait part de sa position.

Le budget est ensuite arrêté par l'Assemblée, statuant à la majorité des membres qui la composent et en respectant l'obligation prévue au 2<sup>e</sup> alinéa de l'article 199 du traité.

L'Assemblée ne peut augmenter le total des dépenses prévues par la Commission qu'en accord avec celle-ci.

c) La Commission publie le budget ainsi arrêté et en assure l'exécution. »

To conclude, the Parliament's opinion was delivered only a few days before the crisis of 1 July 1965, when the French Government announced its withdrawal from all Council meetings.

This seven-month period (from July 1965 to February 1966) is too important in the story of the EEC to be ignored, even if no decisions were taken. Abundant literature and documents exist describing the positions, responsibilities and problem-solving abilities of the main actors and, finally, the impact and consequences of the 'agreement to disagree'<sup>61</sup>.

Angela Merkel, at the end of a European Council meeting in 2015<sup>62</sup>, declared that the EU's success resides in its capacity to find compromises and to respect the rules. This phrase seems perfect to describe, 40 years later, the determination and willingness of the main actors to reach a compromise, while respecting the spirit of the EEC Treaty. The crisis of 1965 was probably one of the most serious crises in the European integration process.

The positive element during this crisis was that the communication channel, while unofficial and discreet, remained open and played a fundamental role in finding a viable compromise<sup>63</sup>.

### **Luxembourg (dis)agreement<sup>64</sup>**

At the end of February, an agreement was reached which put an end to the Empty Chair Crisis. The agreement did nothing to change any points of substance linked to the three proposals leading to the crisis, but it established some principles of procedure.

The text is divided into two parts: one relating to the relations between the Commission and the Council, and the second relating to the majority vote procedure. On both parts, an agreement was reached, but based on different interpretations between the French delegation and the five others.

On the first point, the Commission's autonomy and right of initiative were undermined by the compromise, even though the text remained vague and no concrete implementing rules were adopted to define future cooperation. The five delegations succeeded in including in the agreement a reference (point 6) to Article 162 of the EEC Treaty, to frame the cooperation between the institutions.

The second point – the majority vote procedure – was even more disruptive and the disagreement was apparent in the text (point 3). It introduced the possibility for a Member State to invoke, where very important interests were at stake, unanimity in Council.

The Commission was definitely weakened by the Luxembourg Compromise, despite the meagre consolation that this text had no legal status, but was merely a political and extra-legal arrangement similar to a gentlemen's agreement or a political 'modus vivendi'.

The Luxembourg Compromise was particularly disruptive for the whole Community, as the 'veto culture'<sup>65</sup> started to take root in the institutions. The fact that one of the Member

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<sup>61</sup> Jean-Marie Palayret et al., *Visions, Votes and Vetoes...*, op. cit.

<sup>62</sup> European Council of 12 February 2015.

<sup>63</sup> The Deputy Permanent Representative, Maurice Ulrich, was not called back to Paris. René de Saint-Léger, aide to General de Gaulle, Étienne de Crouy Chanel, French Ambassador to the Netherlands, Émile Noel, Secretary-General of the Commission and Michel Gaudet, from the Commission's legal service, were part of a network which kept the communication channels open.

<sup>64</sup> Full text in the EEC Bulletin of March 1966, 3, p. 5.

States could use this veto acted as a deterrent, which changed the nature of interinstitutional relations.

Commenting on the draft text of the compromise, Pierre Werner, President of the Council, declared in plenary<sup>65</sup> the willingness of all stakeholders to respect the Treaty.

Je dois tout de suite vous préciser que, dans les deux cas, il ne s'agit pas de réviser le traité de Rome ni de porter atteinte aux pouvoirs et aux compétences que ce traité attribue à la Commission et au Conseil. Il s'agit plutôt, en ce qui concerne le recours au vote majoritaire, de trouver des procédures qui permettraient un développement harmonieux de l'ensemble de la Communauté et des États membres.

### **Is the Luxembourg Compromise still alive?**

Even if the legal status of the Luxembourg Compromise is somehow ambiguous and subject to political interpretation, it remained and was, de facto, used, directly or indirectly, for about 20 years: the veto culture became a powerful political bargaining tool.

A number of declarations<sup>67</sup> over the years called for stricter application of the Treaty voting rules, but when necessary they remained inoperative. Finally, the Stuttgart Solemn Declaration of 19 June 1983 stressed once again the need to follow the decision-making procedures laid down in the Treaties.

The Community's enlargement and its operating procedures made it necessary to follow stricter rules, making the Luxembourg Compromise less relevant<sup>68</sup>.

Nevertheless, the Luxembourg Compromise inspired the Amsterdam Treaty in the provisions concerning the Common Foreign and Security Policy<sup>69</sup>, in which an 'emergency brake' was introduced enabling Member States to block majority voting for important reasons of national policy. In such cases, once the Member State concerned has stated its reasons, the Council may decide, acting by qualified majority, to refer the matter to the European Council for a unanimous decision by the heads of state and government.

To conclude on this point, 'business as usual' resumed, even though the unsolved problems were still on the negotiating table and on the political agenda of the institutions and the Member States.

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<sup>65</sup> Anthony Teasdale, 'Life and Death of the Luxembourg Compromise', *Journal of Common Market Studies*, 1993, no 31, p. 567.

<sup>66</sup> Exchange of views between the Council and Parliament, debates of the European Parliament, sitting of 20.1.1966, HAEP, PE0 AP DE/1965 DE19660120-01 0020, p. 105.

<sup>67</sup> At the Paris summit of 1974, the Member States declared: 'their intention to renounce to the practice which consists of making agreements on all questions conditional on the unanimous consent of the Member States', Conclusions Summit, Paris, 1974, p. 6.

<sup>68</sup> Anthony Teasdale, 'Life and Death of the Luxembourg Compromise', *op. cit.*; Martin Westlake, 'The Council of Ministers of the European Union', Catermill, 1995, p. 104.

<sup>69</sup> Title V of the Treaty on European Union, 1997.

## Towards a new Treaty

The Commission proposals of 1965 on the financing of the CAP, own resources and the strengthening of the Parliament's budgetary powers could not remain as they were, and revision of the proposals was in order.

The whole package was postponed, year by year, until 1969. In 1968, the Commission set up a working group to draw up proposals, mainly on own resources<sup>70</sup>.

### I. DECISION DE LA COMMISSION ET MANDAT DU GROUPE

Lors de la 52ème réunion, le 16 octobre 1968, la Commission a décidé de constituer un groupe de travail de hauts fonctionnaires chargé d'élaborer à son intention "un rapport sur les problèmes qui se posent en ce qui concerne les ressources propres de la Communauté".

Later, in May 1969, the Commission mandated its services to prepare a new proposal for a financial regulation for the common agricultural policy. The Commission's intention was to present new proposals amending those of 1965, which were still on the table.

The European summit held in The Hague on 1 and 2 December 1969, called on the initiative of the French government, marked a new impetus after the stalemate of the Luxemburg compromise, in various areas including the proposals which remained blocked by the 'empty chair' crisis. The Heads of State and Government sent out a clear message that progress was expected on a number of dossiers.

Point 5 of the conclusions of the meeting of Heads of State and Government of the Member States contained a commitment to bring to an end the discussions that had been interrupted in December 1965.

*They [Heads of State or Government of the Member States] agreed progressively to replace, within the framework of this financial arrangement, the contributions of member countries by their own resources, taking into account all the interests concerned with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC and of strengthening the budgetary powers of the European Parliament.*

## Proposals for the revision of own resources (Article 201)

The paragraphs that follow describe the situation regarding the aborted modification of Article 201 of the Treaty, the efforts deployed by both the Commission and the Parliament, and the rigid position of the Council.

A High-Level working group of the Commission studied the impact of a new system on Member States' contributions. This was probably already part of the price to be paid for the 'Luxembourg Compromise'. The Commission did not want to present proposals that

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<sup>70</sup> The working group on own resources, created on 15 October 1968, reported directly to the Commission, HAEU, BAC, 38-1984, no 18.

could be blocked by one or another government. The working group <sup>71</sup> concluded in favour of creating a system that could maintain the existing shares per Member State.

Compte tenu de ce qui précède, le Groupe s'étant fondé pour ses travaux sur l'hypothèse du maintien des clés actuellement en vigueur, tend à considérer comme inopportun aussi bien la création d'une nouvelle clé globale pour l'ensemble des contributions que la modification de la clé actuellement en vigueur pour le FEOGA, sous réserve d'un réexamen par la Commission de sa position au cours de la négociation. Mais étant donné que la clé du FEOGA vient à expiration à la fin de la période de transition, il conviendrait que la Commission examine l'opportunité de transmettre au Conseil un projet de texte se fondant sur l'article 200 § 3 du Traité CEE.

The working group also raised the issue of the collection of revenue, and, among other things, there emerged the idea that all revenue should be entered in the EEC budget but Member States would be paid back a contribution (i.e. 10 %) in order to create an incentive to collect duties on behalf of the EEC.

The final proposal presented by the Commission was for the replacement of national contributions with own resources<sup>72</sup>. This proposal was based on two principles: first, it was a pure implementation of Article 201, so that no modification of the Treaty was necessary; second, the replacement could not be immediate and a transition period (1 January 1971 to 1 January 1974) was necessary. During this period, the Commission foresaw that Member States would contribute, on a basis very similar to the shares currently in force.

Once the Commission's proposals were on the table, detailed talks were launched within the Council and in dialogue with the Commission. The Parliament took a clear position (Spénale report, 1969) which led the Commission to modify its proposal, and its Committee on Finances and Budgets was allowed to keep the plenary informed on the negotiations within the Council on the basis of follow-up reports (published in February and March).

The replacement of national contributions by own resources had two major elements:

1. Implementation of Article 201, with the definition of the own resources to be in place by 1 January 1971;
2. Modification of Article 201 to empower the institution to study the possibility of introducing new forms of taxation.

### Council position

Its Working Group on Financial Affairs prepared the Council's decision<sup>73</sup>. While there was effective unanimity on the EEC budget being fed from levies and revenue from customs duties, three other points were more controversial within the Council. Following the preparatory work of the working group, the Council reached the conclusions outlined below.

<sup>71</sup> SEC(1969)1071/3, 19.6.1969.

<sup>72</sup> OJ C 123, 19.09.1969, p. 24; OJ C 152, 28.11.1969, p. 32.

<sup>73</sup> Council preparatory work, HAEU, CM2/1970, 0550.

It was concluded that the implementation of Article 201 should be limited to the minimum, but with the option of new policies being financed by complementary taxes, even if the positions were not unanimous on the formula (Article 2). The point of divergence was whether new complementary taxes should be ratified by the national parliaments or should be deemed covered by a new formulation of Article 201 of the EEC Treaty, as proposed by the Commission. The decision of the Council was to admit the principle of complementary taxes but without modifying Article 201, with ratification by the national parliaments being required.

Concerning the transitional period (1 January 1971 to 31 December 1974, Article 3 laid down the breakdown between Member States.

For the definitive period, i.e. after 1 January 1975 (Article 5), EEC own resources would be complemented by a proportion of VAT, up to a maximum of 1 %. For the period up to 31 December 1977, the share of each Member State could not be higher than 2 % as compared to the previous year: should this be the case, compensatory mechanisms as between Member States should be put in place.

### **Financial perspective**

The concept of a multiannual financial perspective arose following a proposal by the Dutch delegation, the idea being that it should be a mechanism to control agricultural expenditure. It was supported by four other delegations. A proposal was put on the table of Coreper on 4 February 1970<sup>74</sup>. It foresaw a forecast of financial programming over three years, per each category of expenditure, but also a mechanism in case of non-compliance with the forecasts. The Council adopted, at its meeting of 5 and 6 February 1970, a decision<sup>75</sup>, introducing informally the first attempt at multiannual financial programming, which also included a request to the Commission that it present suitable proposals in case of significant divergences between forecasts and implementation.

### **(Failed) revision of Article 201**

The Commission, respecting its commitment to the Parliament, presented to the Council a revised version of Article 201,<sup>76</sup> to be implemented in the definitive phase as of 1 January 1974. This new Commission proposal was inspired by the Parliament's opinion.<sup>77</sup> The following elements were introduced:

1. An exact date (1 January 1974) was fixed for the end of the transition period.
2. A (legal) door was opened making it possible, if and when necessary, to create other forms of revenue without having to modify the Treaty.
3. A procedure was established to create new taxes to attribute to the EEC Budget. To honour the principle of 'no taxation without representation', the last word on the establishment of new taxes was assigned to the Parliament. Following a unanimous vote in the Council, the Parliament could now register

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<sup>74</sup> Note R/243/1/70 (FIN 50/AGRI 64), HAEU, CM2/1970, 0550.

<sup>75</sup> Minutes of the 102nd sitting of the Council, 5-6 February 1970, doc. I/100/1970, HAEU, CM2/1970, 0550.

<sup>76</sup> Résolution du 10 décembre 1969 sur les propositions de la Commission des Communautés européennes au Conseil (doc. 99/69 et 147/169) relatives à l'institution de ressources propres aux Communautés et à l'accroissement des pouvoirs budgétaires du Parlement européen, HAEP, PE0 AP RP/BUDG.1967 A0-0174/69 0001, OJ C 2, 08/01/1970, p. 13. Spenale report, HAEP, PE0 AP RP/BUDG.1967 A0-0174/69 0010.

<sup>77</sup> COM(1969)0012, 41. HAEU, CM2/1970, 0550. And COM(1969)0700, HAEU, CM2/1970, 0151.

its approval based on a double majority (a majority of Members and two thirds of votes cast).

All these elements guaranteed the financial autonomy of the Communities and the Parliament's involvement on the revenue side of the budget, which were the main objectives of the Parliament.

As seen above, the Commission working group examined various hypotheses and in the end they had to strike a balance between idealism and political realism. The spirit of the Luxembourg compromise pushed the Commission to take a more prudent approach, but as soon as the Parliament had shown its support and determination the Commission modified its proposal in the direction suggested by the Parliament, knowing that no majority could be found in Council for a revision of Article 201 of the Treaty.

## **Decision on own resources**

Once the Member States had agreed not to revise Article 201, the discussions shifted from primary law (the Treaty) to the legislative level (specific decisions), focusing more on the implementation measures. Since the replacement of national contributions and the creation of own resources was linked to the reinforcement of the Parliament's competences in budgetary matters, an agreement on this proposal came only when a prior agreement had been reached on the revision of the EEC Treaty (Article 203) conferring greater powers on the Parliament.

The final decision on the 'Replacement of Financial Contributions from Member States by the Communities' own Resources'<sup>78</sup> assigned the following own resources to the European Communities:

*a) From 1 January 1971:*

1. Levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties (called 'agriculture levies');
2. Common Customs Tariff duties and other duties (called 'customs duties').

The levies and duties still collected by the Member States were to be progressively transferred to the Commission, over 5 years from 1971 to the end of 1974. Member States could recover 10 % of the amounts transferred to the Communities, and a fixed share per Member State was defined for the payment of the remaining national contribution, with a view to ensuring a balanced budget (Article 3).

*b) From 1 January 1975:*

From 1 January 1975, the EEC budget was to be financed entirely from the Communities' own resources (Article 2). Further to levies and duties, a third resource, namely value added tax (VAT), was to be assigned to the EEC budget, up to a maximum of 1 % of the resources generated by that tax (Article 4), as proposed by the Commission.

The decision adopted was not in line with the principal request that had been made by the Parliament with the Commission's support, i.e. a simplified procedure for creating new sources of revenue. Nonetheless, the decision, even if not requiring a formal revision of the Treaty, necessitated unanimity in Council and ratification by the national parliaments.

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<sup>78</sup> Council Decision 70/243 of 21.4.1970, OJ L 94, 28/04/1970, p. 19.



## Proposals to reinforce the budgetary powers of the EP (Article 203)

The reinforcement of the budgetary powers of the European Parliament could be achieved with the modification of Article 203 of the EC Treaty, defining the annual procedure.

Various proposals were put on the table, from the Commission, the Parliament and several Member States<sup>79</sup>.

### Commission proposals

The Commission working group examined several options, and concluded that amendments to the budget tabled by the Parliament could be modified or rejected by the Council subject to a majority of 5 Member States (out of 6). The group also suggested a conciliation procedure for reaching agreement between the two institutions<sup>80</sup>.

Par conséquent, la majorité du Groupe a estimé préférable une troisième possibilité suivant laquelle les modifications arrêtées par le Parlement à la majorité des membres le composant sont réputées définitivement adoptées si, dans un délai de 15 jours, le Conseil, statuant à la majorité de 5 membres ne les a pas écartées.

En outre, une procédure de conciliation, dont l'intervention se situerait après le vote de l'assemblée, serait destinée à permettre un rapprochement des points de vue des Institutions et le développement d'un dialogue fructueux entre celles-ci.

The proposals of the working group opened the discussions within the Commission, whose Secretary-General, in a personal note addressed to the College<sup>81</sup>, suggested that the Commission endorse the opinion given by the Parliament in May 1965 (Vals report - see above).

On 30 October 1969, the Commission submitted a communication updating its proposals<sup>82</sup>. Concerning the reinforcement of the Parliament's competences, the Commission proposed a two-step approach linked to the replacement of national contributions by own resources from the EC 'fiscal mechanism:

1. First phase: as long as resources remained partially covered by the Member States, the Council should maintain supremacy, even with a reinforcement of the Parliament's role;
2. Second phase: once the EC's financing was totally covered by own resources, the Parliament should have more competences and the final say on the budget, similarly to most of the national parliaments.

<sup>79</sup> COM(1965)0156, 31.4.1965. EP doc. (65)34, Vals report, HAEP, PE0 AP RP/BUDG.1961 A0-0034/65 0010.

<sup>80</sup> SEC(1969)1071/3, 19 June 1969.

<sup>81</sup> Note 11869/XIX/69-F, HAEU, BAC 38-1984, no 18, p. 221.

<sup>82</sup> All proposals are summarised in a Council's note of 1969, HAEU, BAC 38-1984, no 18, pp. 393-412.



Because of this approach, the Commission presented two texts of Article 203, one for each phase.

Revision art. 203 COM(69)1020	
Phase I: EC budget financed partially by own resources	Phase II: EC budget financed totally by own resources
<p>EP can modify the draft budget</p> <ul style="list-style-type: none"> <li>– without increasing the global expenses</li> <li>– increasing the global expenses with the Commission agreement</li> </ul> <p>Council calls a Conciliation Committee</p> <p>Finds an unanimous position either adopting or rejecting EP modifications:</p> <ul style="list-style-type: none"> <li>– Council (qualified majority), EP (majority of MEPs) and Commission approve the compromises</li> <li>– Council, EP or Commission don't approve the compromises see point below</li> </ul> <p>Conciliation Committee</p> <p>Doesn't reach a compromise or Council or EP don't approve the compromise:</p> <ul style="list-style-type: none"> <li>– Commission opinion favourable on the modifications</li> <li>– Commission against modifications and alternative proposals</li> </ul> <p>Council final decision</p> <ul style="list-style-type: none"> <li>– At majority (4 over 6) approves Commission proposals</li> <li>– At unanimity adopts decisions diverging from EP and Commission proposals</li> </ul> <p>Commission publishes the Budget</p>	<p>EP can modify the draft budget, including increasing the global expenses</p> <p>Parliament calls the Conciliation Committee</p> <p>Finds an unanimous position either adopting or rejecting EP modifications:</p> <ul style="list-style-type: none"> <li>– Council (qualified majority), EP (majority of MEPs) and Commission approve the compromises</li> <li>– Council, EP or Commission don't approve the compromises see point below</li> </ul> <p>Conciliation Committee</p> <p>Doesn't reach a compromise or Council or EP don't approve the compromise</p> <p>EP takes the final decision</p> <ul style="list-style-type: none"> <li>– modify at majority of 2/3 of votes and the majority of members of the Assembly</li> <li>– approving Council modifications</li> </ul> <p>Commission publishes the Budget</p>

The Commission proposals were inspired by the Parliament's opinion of 1965 and had the advantage of foreseeing a progressive entry into force, linked to the complete financing of the Community by own resources. The Commission - to a lesser degree in the second phase - maintained a role in the budgetary procedure, with the possibility of rejecting the compromise proposed by the Conciliation Committee.

The Conciliation Committee, consisting of the Presidents of the four institutions, on the model of the ECSC, was more a 'group of wise men' than a forum for real negotiations.

### Parliament's role in the discussions

As mentioned above, the European Parliament was present in the discussions, but not as a participant in the negotiations. In spite of this, it made its voice heard thanks to its Members having a double mandate and being active in defending the EP's positions within their respective national parliaments.

The Parliament thus took advantage of not being directly elected. This weakness in fact reinforced the Parliament's role, as it was relatively easy to obtain the support of the national parliaments since all Members of the European Parliament could defend its prerogatives with the same enthusiasm both in Brussels and in their respective capitals.

As both decisions (on own resources and on the revision of Article 203) were to be



**Georges Spénale (1976)**

submitted for ratification by the national parliaments, the ministers, and even more so the permanent representatives, were inclined to treat the EP's positions with the appropriate respect.

The Committee on Finances and Budgets, chaired by Georges Spénale, was in the front line, and a formal opinion was issued<sup>83</sup> in a resolution adopted in December 1969. This resolution not only defined the EP's position but also instructed the committee to follow up the evolution of the discussions in Council during the crucial phase before final agreement (April 1970). The two follow-up reports were presented in plenary in February and March of 1970<sup>84</sup>. Those documents came about 5 years after the Vals report, which had already set out proposals to improve the involvement and influence of the EP in the budgetary procedure as a whole.

These interim reports were a powerful tool for the committee, and its chair, Georges Spénale, who was also co-rapporteur together with the President of the Parliament, Mario Scelba, took part in the discussions and even participated in a number of informal Council meetings, exchanging views with ministers.

In the February resolution, the Parliament sent out a strong signal to the Council, threatening to influence the vote in the national parliaments in case of disregard of the fundamental points outlined by the EP in its resolution of December 1969.

4. Affirme solennellement qu'il ne pourrait recommander aux Parlements nationaux de ratifier les propositions qui leur seront soumises par le Conseil, si celles-ci allaient contre les exigences fondamentales du Parlement européen telles qu'elles résultent de sa résolution du 10 décembre 1969;

<sup>83</sup> Résolution du 10 décembre 1969 sur les propositions de la Commission au Conseil (doc. 99/69 et 147/169) relatives à l'institution de ressources propres aux Communautés et à l'accroissement des pouvoirs budgétaires du Parlement européen, HAEP, PEO AP RP/BUDG.1967 A0-0174/69 0001, OJ C 2, 8.1.1970, p. 13.

<sup>84</sup> Rapport sur l'évolution du problème des ressources propres aux Communautés, à la lumière de la résolution du Parlement, des propositions de la Commission des Communautés et des délibérations du Conseil, doc. 226-70, of 2 February 1970, HAEP, PEO AP RP/BUDG.1967 A0-0226/69 0010. Rapport intérimaire sur l'évolution du problème des ressources propres aux Communautés et des pouvoirs budgétaires du Parlement européen, doc. 3-70 of 11 March 1970, HAEP, PEO AP RP/BUDG.1967 A0-0003/70 0010.

In the second follow-up resolution adopted in March, the Parliament recognised the positive approach adopted by the Council for the dialogue launched with it, but also raised three points of substance:

1. The need to confer on the Parliament the power to reject the budget;
2. The need to consider the decisions to be taken by the Council only as the first step towards global financial autonomy for the Communities;
3. The need for a revision in the future of Article 201 to permit the adoption of new resources using the Community method (i.e. without ratification by the national parliaments).

• 3. Note également que le Conseil lui-même, dans un moment essentiel de l'histoire des Communautés, a ouvert le dialogue et pris l'avis du Parlement comme un élément important de sa réflexion;

### **Parliament's position on the substance**

The Parliament inverted the Commission's approach. It defined, first the ordinary procedure, and second, the procedure under the transition period. In substance, the Parliament rejected the idea of the Conciliation Committee, a body which could only follow the mandate delegated by the Parliament and the Council to their respective Presidents, and would have no real capacity to negotiate.

The suppression of the Conciliation Committee had a beneficial effect on the calendar, and made it possible to prolong the procedure by giving the EP more time (1 to 2 months) for its decisions. The Parliament also asked for a higher threshold to be set for the majority required in Council to reject or modify amendments of the Parliament supported by the Commission. The EP insisted on protecting its own budget, asking the Council not to modify it without the Parliament's agreement.

#### **Art. 203 Spénale report**

##### **Normal procedure**

- EP can modify the draft budget, including increasing the global expenses
- Commission opinion on EP amendments
- Council final decision
  - Modifying EP amendments, as proposed by the Commission with a majority of 5 MS
  - On unanimity modifications which diverge from EP or Commission's decisions
- EP adopts the budget

On own resources, the EP was aware, with regret, of the need for a two-step approach due to the delay in harmonising fiscal policy. For the definitive stage, the Parliament was more ambitious, wishing to acquire the responsibility for adding taxes, to be voted on by itself, on a Commission proposal or on its own initiative, with the agreement of the

Council. This request would necessitate modification of Article 201, and, therefore, ratification by the national parliaments.

The notion of modifying Article 201 was not unanimously supported in the Parliament, and in the debate in plenary<sup>85</sup> two political groups (Union Démocratique Européenne and the Communist group) voted against this proposal, endorsing the more cautious approach of the Commission.

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<sup>85</sup> Debates of the European Parliament, sitting of 10.12.1969, pp. 65 and ff.

## **1970-1978: THE BEGINNINGS OF DEMOCRATIC CONTROL**

After the turbulence of the late 1960s, the new decade began with two important decisions affecting the budget, namely on own resources and on a new Treaty: this implied the timid commencement of the creation of democratic control over budgetary decisions. The Treaty of 1970 opened the door to a new balance of competences between the institutions, with a modest reinforcement of the role of the Parliament. For the first time, the Parliament obtained a degree of influence over expenditure, and became fully responsible for its own budget. The Parliament also became the discharge authority. The first manifestation of collaboration on the budgetary procedure took shape, as the institutions realised that in an expanding European Community budgetary powers could not be concentrated in a single institution.

### **Approaching the new Treaty**

The discussions on reinforcement of the competences of the Parliament started around 1963 in view of the merger of the executives, partially owing to the loss of the Parliament's limited competences over administrative expenditure. The debate heated up with the need to introduce own resources, but the seven months' 'limbo' following the French boycott froze all discussions for about five years.

The European summit of 1 and 2 December 1969, with its conclusions in the form of The Hague Declaration, initiated a new momentum for relaunching discussions on issues that had been pending since at least 1965. The Council's mandate produced a spectacular acceleration of events, which culminated on 6 and 7 March 1970 with a final agreement in Council, the signing of the new Treaty on 20 March 1970, and final adoption on 22 April of the same year.

### **Positions of the Member States**

As mentioned above, the starting-point for the Council was supplied by the Commission's proposals, as revised following the Parliament's opinion of 8 December 1969. Before this date, already in the discussions around the merger Treaty several delegations had presented proposals for the reinforcement of the Parliament's competences in the budgetary domain. These proposals varied slightly, but with no disagreement on substance, other than that the French delegation simply blocked discussion of the matter. For this reason, no in-depth discussion was launched on these points between the delegations.

If the French delegation was openly against an extension of the Parliament's prerogatives, the Dutch government was in the front line for the democratisation of the European procedures in their entirety – a position encouraged and supported by the *Tweede*

*Kamer*<sup>86</sup>. The other four delegations were closer to the Dutch approach but probably more open to compromise.

The Italian delegation, while generally in favour of enlarging the Parliament's competences, linked support for any solution to a decision on creating a common market in wine.

### **Last mile of negotiations**

A modification of the Treaty requires unanimity on the part of the Member States. The various proposals played an important role, but, as is often the case, it was the final phases of the negotiations that were the decisive moments for reaching an agreement.

The discussions on the reinforcement of the budgetary powers of the Parliament proved no exception: the Council's meetings of December 1969 and January 1970 were decisive with regard to reaching a final compromise with a view to a new Treaty. The four weeks between the Council meeting of 22 December and that of 19 January were marked by an intensive diplomatic campaign by France. The French put new ideas and new proposals on the table, and succeeded in convincing their five partners. The meeting of 22 December resulted in the endorsement, subject to reservations on the part of the French delegation, of a compromise text presented by the Belgian and Italian delegations and based on the Commission proposal.

At the meeting of 19 January 1970<sup>87</sup> Maurice Schumann, the French Minister for Foreign Affairs, explained France's concerns over increasing the competences of the Parliament beyond the control of the Council, pointing out the risk that the Parliament could make use of the supplementary credits which might be available under the VAT regime<sup>88</sup>. Mr Schumann proposed a number of limitations, which, according to him, existed in other parliamentary regimes (France and the UK). These comprised the following: the EP could increase expenditure only if the increase was compensated by reductions or subject to the Council accepting any increase generated by EP amendments; the EP could not modify expenditure resulting from legislation adopted by other institutions on the basis of their competences; and the EP would not be empowered to create new categories of expenditure.

Mr Schumann concluded his intervention by stressing that the amendments put forward by the French delegation were in line with the mandate of the European summit to reinforce the Parliament's competences, that the French delegation was in favour of adoption of the budget by the Parliament, and that French MEPs of all political groups supported these proposals.

The first response of the other ministers was irritated and negative, raising the possibility of negative reaction to a move that could be seen as marking a step backwards relative to the previous, publicly made proposals.

The French Finance Minister, Valéry Giscard d'Estaing, took a more conciliatory tone, arguing that the EP could not be given more competences than the national parliaments and that the latter would have to replace the share of resources allocated to the European

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<sup>86</sup> Letter transmitted by the President of the Tweede Kamer (Dutch Second Chamber) to the President of the Council, 14 June 1965, S/560/65, HAEU, BAC 118, no 36, p. 50.

<sup>87</sup> Minutes of the Council meeting of 19-20 January 1970, p. 112, Council, 566/70, HAEU, CM2 1970, 19.

<sup>88</sup> The Community can use up to 1 % of VAT.

budget. He added that all finance ministers agreed that it was necessary to keep expenditure under strict control.

The problem was no longer budgetary or financial, but institutional, with competence transferred from finance ministers to foreign affairs ministers.

The Parliament drew attention to the fact that, in practical terms, the French proposal would limit the EP's influence to about 3 % of the budget, a good part of that being administrative expenditure, rents and salaries.

Pour les 3% qui restent, le Parlement ne pourrait accroître des dépenses sans en réduire d'autres d'un même montant. Mais ces 3% concernent le budget de fonctionnement des institutions dont la plus grande partie, constituée par les traitements des fonctionnaires, n'est pas modifiable. C'est d'ailleurs le Conseil qui est compétent pour fixer ces traitements.

En fait, il ne resterait guère au Parlement que la possibilité de déterminer lui-même son état prévisionnel dans les limites que le Conseil voudrait bien reconnaître raisonnables.

One month later, in March, the Council was close to finalising an agreement. On this occasion, the Parliament's resolution<sup>89</sup> was more conciliatory, underlining that its positions were not being followed on important points but also recognising the progress made.

## **Final text of the Treaty**

The French position made progress in the national delegations. Other elements were added, including the revision of Article 206 granting the EP the competence of codecision on the discharge. The final text took into consideration most of the elements raised by the French delegation at the Council meeting of 19 January 1970, but nonetheless resulted in the reinforcement of the Parliament's competences.

It is interesting to note how France managed to come out of its isolation and successfully promote a text that was a long way from the positions that had been expressed by the Commission, the Parliament and five delegations.

The limitations on the Parliament's competences introduced in the new Treaty took the form of a differentiation between types of expenditure and a mechanism to limit the EP's margin of manoeuvre.

### **Compulsory expenditure (CE) and non-compulsory expenditure (NCE)**

The new Treaty introduced a classification of expenditure in order to ensure that the Parliament could not intervene in the financing of decisions taken by the Council, in enforcement of the Treaties, specifically in the area of agricultural policy.

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<sup>89</sup> Résolution du 11 mars 1970 sur l'évolution du problème des ressources propres aux Communautés et des pouvoirs budgétaires du Parlement européen, OJ 40, 3.4.1970, p. 23. See also Spénale report of 11.3.1970, doc. 3-70, HAEP, PE0 AP RP/BUDG.1967 A0-0003/70 0010.

To secure the adopted legislation, the Treaty introduced a distinction between compulsory expenditure (CE) and non-compulsory expenditure (NCE). This distinction was not new in fiscal policy<sup>90</sup>: in the US, federal expenditure is divided into 'mandatory' and 'discretionary'.

The Treaty provided a definition of compulsory expenditures as 'expenditure necessarily resulting from this Treaty or from acts adopted in accordance therewith'. This definition was rather obscure, and the Commission therefore circulated a list indicating which budgetary items should be considered as included.

In practical terms, in the 1970s, CE represented about 97 % and NCE 3 %, including staff salaries and rent, with no margin of manoeuvre.

### **NCE - Maximum rate of increase (MRI)**

The second limitation introduced aimed to prevent the Parliament from increasing the budget. The mechanism (the maximum rate of increase of non-compulsory expenditure - MRI-NCE) allowed the Parliament to increase non-compulsory expenditure only up to a limited percentage, beyond which the Council's consent was necessary.

According to the provisions of the Treaty, the maximum rate of increase of non-compulsory expenditure was to be fixed annually by the Commission and communicated, to the institutions no later than 1 May of a given year. It was established by the Commission based on the following three parameters:

1. The trend in terms of volume of gross national product within the Community;
2. The average variation in the budgets of the Member States;
3. The trend of the cost of living during the preceding financial year.

Should the draft budget established by the Council increase NCE by over half the maximum rate, the Parliament still had the right, through amendments, to further increase the total amount of that expenditure up to a limit not exceeding half the maximum rate.

In justified circumstances, the annual rate of increase of NCE could be exceeded, but only with the agreement of the two arms of the budgetary authority – i.e. the Council, acting by qualified majority, and the Parliament, acting by a majority of its members and with three fifths of votes cast.

### **'Normal' procedure**

The new Treaty provided for a 'normal' budgetary procedure, to enter into force on 1 January 1975, from which date the EC budget was to be financed exclusively from own resources, with a transitional procedure applying up to 31 December 1974.

The 'normal' procedure as laid down in Article 203 defined the Parliament as one arm of the budgetary authority. This marked a significant degree of progress as compared with the ECSC Treaty or the Treaty of Rome, under which the Parliament had had no responsibility related to the adoption of the budget. The EC budget would in future be declared adopted by the President of the Parliament.

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<sup>90</sup> CRS - mandatory expenditures since 1962 - 2014 also at: <http://fas.org/sgp/crs/misc/RL33074.pdf>.



The new Treaty granted the Parliament competence over non-compulsory expenditure, which could be amended, with or without compensation: there even existed the possibility of increasing the level of expenditure within the limits of the MRI mechanism.

The table below summarises the new procedure.

#### Treaty 1970 art. 203

##### Normal procedure

- Commission: Preliminary Draft Budget (1/9)
- Council: Draft Budget and transmit to EP (5/10)
- EP can (double majority)
  - Amendments to NCE (increase within half MRI)
  - Modifications to CE
- Council can (qualified majority)
  - Modifies EP amendment on NCE
  - Adopts, rejects or modifies EP modifications to CE (final word)
- EP examines Council modifications on NCE and adopts the Budget
- EP Presidents signs and declares the Budget adopted

##### Transitional procedure

The transitional procedure was based on the assumption that the Member States had not transferred the totality of own resources to the Community, so the Council continued to play a leading role. Nevertheless, the Treaty conferred on the Parliament a more important role as compared to the previous situation.

The Parliament could introduce modifications to the draft budget. If those modifications were budgetarily neutral (i.e. compensated by a reduction), the Council could only reject them by a qualified majority. If the modifications had the effect of increasing the budget, the Council could only accept them by a qualified majority.

In the transition period, the budget was adopted by the President of the Parliament.

##### Discharge procedure

The Treaty also enhanced the role of the Parliament in the control of budgetary implementation; the Parliament was designated as one arm of the discharge authority, the other being the Council. The EP was formally invested with powers of control similar to those exercised by most parliaments in Europe.

##### Resolutions and declarations added to the Treaty

At the end of the Council meeting of 6 March 1970, which saw the adoption of the final draft treaty, a number of resolutions and declarations of the Council were annexed to the minutes. The Council used 'soft law' to partially compensate some of the EP's requests, but also tried to impose its interpretation on relatively ambiguous rules, such as the CE/NCE classification and the MRI mechanisms. Since 1970, 'soft law' has complemented the provisions of the Treaty and opened the way to future modifications.

## Resolutions

The resolutions responded to wishes expressed by the Parliament. The Council wished to prove its goodwill and its respect for some of the Parliament's requests, even if the resolutions had no legal status. Years later, the same approach was followed with the interinstitutional agreements. In this case, one might see the resolutions as being mere princely concessions by the 'real' authority, but they were nonetheless politically significant.

1. The budget of the Parliament: the Council committed itself to avoid modifying the Parliament's budget, provided the Parliament did not use its draft estimates to attempt to change Community law, with particular reference to the Staff Regulations and the seats of the institutions. This was a long-standing conflict; already with the ECSC budget, the Council had the habit of modifying with no consultation and no justification.
2. Financial statement: the Commission was invited to add a financial statement to all legislative acts having financial consequences. The Council committed itself to keep the Parliament informed on its evaluation of such statements and to duly justify all cases of divergence from the Commission's proposal.
3. Cooperation between the Council and the Parliament: The Council committed itself to a close cooperation with the Parliament and to ensuring the presence of the President of the Council when the draft budget was debated in the Parliament. This is another important point that confirms that, beyond the apparently marginal concessions of the Treaty, the role of the Parliament had changed and respect for it had evolved.

## Declarations

The declarations represented an attempt by the Council to impose its interpretation of three specific and somehow ambiguous provisions of the Treaty. In fact, as we will see later, the Council's interpretation was not shared, and those three points would become major causes of conflict in later years.

**Classification** – The Council declared that the distinction between CE and NCE for the items of the 1970 budget arose from a list circulated by its Presidency<sup>91</sup>. This was a unilateral interpretation by the Council: the Parliament was not consulted on this list.

**Maximum Rate** - The Council considered that the method used by the Commission should remain unchanged. This Council declaration revealed the fear that a change in method could give the Parliament a greater margin of manoeuvre.

**Reduction of expenditure** – The Council warned the Parliament that reduction of expenditure on CE to compensate an increase in NCE would be considered illegal.

## Parliament's opinion

The analysis of the Committee on Finance of the final agreement of the Council, on both elements of the Commission proposal, i.e. own resources and parliamentary powers, was

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<sup>91</sup> List circulated on 3.2.1970 by the Council Presidency.

relatively dry and dispassionate<sup>92</sup>, almost forgetting months of intense debates. The resolution<sup>93</sup> revealed the committee's disappointment: in its twelve paragraphs, the word 'approves' was carefully avoided, and, exercising its sense of responsibility, the Parliament drew attention to the weaknesses of the final agreement. The Parliament made the following points:

1. Financial autonomy had not been achieved, pointing up the need to revise Article 201 of the EC Treaty.
2. It was stressed that the possibility of a majority in Council rejecting the Parliament's modifications could make it difficult to achieve the qualified majority required for adoption of the budget.
3. It was further stressed that the revision of the Treaty agreed by the Council was only the first step, and that only by transferring legislative powers to the Parliament could the European integration process be made more democratic.
4. Last but not least, the Parliament took note of the Council declaration calling on the Commission to present proposals to ensure that debates in the national parliaments were taken into account.

The Parliament endeavoured to maximise the benefits of the new Treaty. Its interpretation of Article 203(6) was the most important factor here, as recognition of the power to reject the budget would reinforce its negotiating capacity.

The wording of the paragraph contained some ambiguities that led to different interpretations. The paragraph in question read as follows:

Article 203 (6)

6. Within 15 days of the draft budget being placed before it, the European Parliament, which shall have been notified of the action taken on its proposed modifications, shall act, by a majority of its members and three fifths of the votes cast, on the modifications to its amendments made by the Council, and shall adopt the budget accordingly. If within this period the European Parliament has not acted, the administrative budget shall be deemed to be finally adopted.

In its resolution of 10 May 1970 (see above), the Parliament interpreted this paragraph as legitimating its right to reject the budget.

10. constate, avec la Commission des Communautés, que, en toute hypothèse, le paragraphe 6 du nouvel article 203 de la C.E.E. (et les paragraphes et articles correspondants des autres traités) lui donne le pouvoir de refuser d'arrêter le budget, aux fins de provoquer de nouvelles propositions budgétaires, et déclare qu'il inscrira dans son règlement intérieur les règles de procédure appropriées;

The Parliament assumed that its interpretation was correct, but never actually made use of this power to test its legality (e.g. before the Court). The Commission shared the Parliament's interpretation, while the Council avoided answering specific questions in the

<sup>92</sup> See the Spénale report, doc. 42/1970, 12.5.1970, HAEP, PE0 AP RP/BUDG.1967 A0-0042/70 0010.

<sup>93</sup> Résolution du 13 mai 1970 sur le remplacement des contribution financières des États membres par des ressources propres aux Communautés et sur la modification de certaines dispositions budgétaires des traités instituant les Communautés européennes et du traité instituant un Conseil unique et une Commission unique des Communautés européennes, HAEP, PE0 AP RP/BUDG.1967 A0-0042/70 0001, OJ C 65, 5.6.70, pp. 32 ff.

debate in Plenary: 'the Council did not consider that it has to comment on interpretation of the Treaty'.

The Treaty was far from coming up to the Parliament's expectations: the Parliament probably lost 'momentum' at a moment when there was a large majority in Council and in the national parliaments in favour of the reinforcement of the Parliament's competences. The direction had, however, been set. In the debates on plenary, Georges Spénale, chair of the Committee on Finances, stressed three concepts:

1. The importance of vision and sense of direction: he recognised the visionary approach of the Political Affairs Committee;
2. The importance of making progress in the right direction, even if not at the pace desired;
3. The need for a dynamic approach to budgetary policy, adapting it to developments.

## **Ratification debates in national parliaments**

After the adoption on 22 April 1970, of the draft Treaty, ratification by the national Parliaments was necessary. The European Parliament made an appeal to the national parliaments to support its positions. The debates in the national parliaments<sup>94</sup> concentrated on the controversial issue of the right of the European Parliament to reject the budget and, in a more general register, on the question of direct elections to the EP.

### **Parliament's right to reject the budget**

The Parliament's interpretation resulted in heated debates in the national parliaments, often spearheaded by national Members of the European Parliament. The governments (other than that of the Netherlands) either took no position or opposed the EP's interpretation.

The debate in the French National Assembly was particularly controversy-driven, with the government, the Gaullists and the communists opposing the interpretation that Article 203(6) opened up the possibility of the Parliament rejecting the budget. The Socialists, led by Georges Spénale, chair of the Committee on Finance and rapporteur, were openly in favour.

Nearly all the other five parliaments were in favour of the Parliament's interpretation and asked their governments to follow it. Notably, all parties in both Luxembourg<sup>95</sup> and the Netherlands<sup>96</sup> asked their national governments to support this interpretation.

The governments remained more prudent on the subject. In all cases, the Members of National Parliaments leading the debate on this issue were also Members of the European Parliament.

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<sup>94</sup> European Parliament, 'European Communities' own resources and the budgetary powers of the European Parliament', Selected Documents, October 1972, pp. 146 ff. See also Council Secretariat, information note of 6.4.1971, 718/71 (ASS 496), HAEU, CM2.

<sup>95</sup> Motion signed by the following Luxembourg parliamentarians: Lulling, Flesch, Mosar, Kollwelter and Wolfarth, on behalf of all political groups.

<sup>96</sup> Declaration signed by the following Dutch parliamentarians: Westerterp, Vredeling, Berkhouwer, Boertien and Baas, on behalf of all political groups.

The Belgian Foreign Minister, Pierre Harmel, said he could support the EP's interpretation provided it was limited to non-compulsory expenditure<sup>97</sup>.

### **Direct elections to the Parliament**

This was the second 'hot' issue discussed in the national parliaments, mostly in favour of accelerating the decision in favour of a directly elected European Parliament. The German Bundestag and the Luxembourg Parliament even went a step further, adopting resolutions calling on their governments to ensure that, should direct elections as such not be approved, their national delegations to the EP would nonetheless be directly elected.

### **Other issues**

It is interesting to note that during the debates, individual Members, and in some cases parliaments, raised other issues which sooner or later would have been introduced in the debate, such as:

1. The transfer of legislative competences to the European Parliament;
2. The Parliament's competence to adopt the budget;
3. The Parliament's participation in the procedure for appointing the Commission;
4. Creation of additional autonomous sources of financing for the Communities.

### **Some considerations on the 1970 Treaty**

Did the Treaty signed on 22 April 1970 succeed in superseding the democratic deficit of the European Communities and reinforcing the role of the Parliament and the Commission?

The role of the Parliament was certainly boosted, even to a lesser extent than expected. If one examines the budgetary situation in 1970, it can be concluded that the Council made only a symbolic gesture allowing the Parliament a restricted margin of manoeuvre on little more than 1 % of the budget. This comment would probably have been justified had it been made directly after the adoption of the Treaty. However, if one considers this innovation half a century on, it may be more positively interpreted, since the Parliament proved to have the capacity to take maximum advantage of all the opportunities offered by the Treaty of 1970.

The modifications introduced into the Treaty changed the role of the Parliament, which became part of a budgetary mechanism, albeit at first in a marginal capacity.

Over the years that followed, the Parliament took advantage of a number of important remaining ambiguities in the Treaty, such as the definition of CE/NCE or the calculation of the MRI.

The commitment made by the Council<sup>98</sup> to examine proposals, announced by the Commission on the very day that the Treaty was signed and even in the light of the

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<sup>97</sup> David Coombes, 'The Power of the Purse in the European Communities', Chatham House, 1972, p. 45.

<sup>98</sup> See press release 800/70 (AG 126), issued following the Conference of Representatives of Governments of Member States, Luxembourg, 22.4.1970 (Council archives).

debates in the national parliaments, was another positive element. History has shown that this commitment, unlike many others, was respected.

After the signature of the Treaty the Member States were relieved to have apparently reinforced the competences of the Parliament while not abandoning full control over the budget, and therefore over the financing of Community policies. The national delegations could probably not have foreseen the potentiality and dynamics that were present despite the various limitations in the new Treaty.

The Treaty of 1970 marked an important step in enabling the Parliament to put a foot in the door and, in subsequent years, actually to open the door and be able to sit at the same table with the Council on an equal footing.

Another consideration concerns the role of the national parliaments. One may note a general tendency to believe that an elected parliament would be more influential in relations with third parties. The procedures and debates analysed in this context show that MEPs who were also members of their national parliaments tended to take the same positions in both forums. Very often, the same principles were defended both in the EP and in a given national parliament, and governments, even if likely to ignore the calls of the European Parliament, had to be more attentive if the same requests came from their national parliament.

These positive elements, which should not be underestimated, should not be allowed to hide the reality; the Treaty did not resolve the democratic deficit and did not confer a decision-making role on the European Parliament in the sense understood in our European democracies.

The Treaty signed on 22 April 1970 in Luxembourg and known as the Luxembourg Treaty, together with the other 'budgetary' Treaty of 1975, were, it has been said, characterised by 'a fairly anonymous life in the histories of the EC/EU', but, the same source argues, 'there is good reason to pay closer attention to them because the creation of these treaties can tell us something new about how choices for democratic and institutional design have been made'<sup>99</sup>.

Apart from the positive elements, the Treaty of 1970 missed the opportunity to establish a more integrated and democratic European Community. The situation was relatively favourable: a limited number of Member States, an approximation to a common vision, positive and straightforward relations with the national parliaments, a genuine perspective of financial autonomy for the EC, a shared tradition of parliamentary control over the 'purse' (no taxation without representation), and, last but not least, a leadership in most of the Member States that was committed and ready to explain the advantages of European integration to public opinion.

In spite of all these elements, the outcome was different. The European Parliament was not regarded as a democratic institution subscribing to a 'quasi-federal' model but, rather, as an unavoidable party to international negotiations.

Concentrating the Parliament's competences in the budgetary sector had the result of conditioning all future institutional developments. To gain respect and influence in the

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<sup>99</sup> Ann-Christina Knudsen, 'The 1970 and 1975 Budget Treaties: Enhancing the Democratic Architecture of the Community', in *Designing the European Union...*, *op. cit.*

legislative process, the Parliament's only option was to make use of its budgetary powers, in some cases to extremes.

The outcome reached, under pressure from the French government<sup>100</sup>, had a double effect. On the one hand, it marginally improved the Parliament's role in the budgetary procedure; on the other, it failed to promote the EP as a democratic institution playing a similar role to that of the national parliaments in counterbalancing the decision-making organ (national governments or the Council). The EP's role suffered from the 'sui generis' nature of European construction, and it was therefore difficult to transfer to the European Parliament all the competences of a national parliament.

The Commission itself, while supporting the Parliament's requests, was attentive not to lose its own prerogatives. It emerges from examination of the minutes of Council/Coreper meetings<sup>101</sup> that the Parliament was treated more as the subject of a 'procedural obligation' than as a respectable partner. Some of the comments made by government representatives suggest that the Parliament was treated as a group of irresponsible schoolchildren who should be kept under strict surveillance and given a few toys to play with.

The European Parliament missed the opportunity to secure recognition of its democratic role in the shaping of Europe's legislation and budget, but the Treaty opened a tiny space for it start the fight to expand its influence in the budgetary and legislative activities of the institutions. The steps of the Parliament's struggle included the successive Treaties, starting from that of 1975, with its enhanced recognition of budgetary powers, up to the Lisbon Treaty, which was to establish recognition of the Parliament's full powers of codecision in both budgetary and legislative decisions.

From the very beginning up to the present, the Parliament has made use of all its legal powers to affirm its role. According to the scholar David L. Coombes,<sup>102</sup> who carried out a series of interviews with leading MEPs and senior officials between 1969 and 1979, the Parliament saw its budgetary competences as a means to achieve more active participation in the legislative process.

### **After the 1970 Treaty: The game is not over**

The Parliament was definitely not satisfied with the results achieved by the Treaty of 1970. However, a further important step was achieved, relating to the implementation procedure for resolutions or legislative acts having financial implications:

The Council proposed the following procedure<sup>103</sup>:

1. The Commission should attach a financial statement to all proposals with financial implications;

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<sup>100</sup> The French government was responsible for the proposal to secure the 'important' part of the budget under compulsory expenditure, limiting the Parliament's competence to 3 % of the budget, including administrative expenditure (rent, salaries, etc.).

<sup>101</sup> HAEU, CM2-1969 1-102.

<sup>102</sup> David L. Coombes et al., *The Power of the Purse: The Role of European Parliaments in Budgetary Decisions*, European Serie, Royal Institute of International Affairs, 20, 1976.

<sup>103</sup> Historical Archives of the Council, note of 22.4.1971, T/221/71, HAEU, CM 2 1972 - 119.

2. The Council's budgetary committee should examine the proposal and approve or modify it, on the basis of a technical appreciation, while not implying any judgement on the political desirability of the legislative proposal;
3. The Council should then transmit the proposal, accompanied by the Commission's financial statement and also, possibly, by its own, to the Parliament;
4. The Parliament's opinion should include consideration of the financial statement;
5. The Council would undertake to draw attention to the Parliament's opinion in its preparatory work;
6. Should the Council take a decision diverging from the Parliament's opinion, it should justify its position to the Parliament in written or oral form.

Even more important, the Council opened the door to a sort of conciliation procedure in important cases (excluding urgent cases).

3) Pour certains actes particulièrement importants, le Conseil, au cours de son examen et avant de prendre une décision, pourrait entendre une délégation de l'Assemblée - composée par exemple du Président et du Rapporteur de la commission compétente - qui viendrait illustrer l'avis rendu par cette Institution.

This marked the first step in the Parliament's process of obtaining recognition of its role in legislative acts with financial implications, even if the Council maintained full discretion in the consultation and the subsequent decision. It was significant that the Council accepted to meet, in October 1971, a delegation of the Parliament to discuss the terms of the agreement and certain proposals of the Parliament, in particular whether the Parliament should receive all relevant information before delivering its formal opinion, and whether a sort of conciliation procedure could be envisaged. Even after the decision of the Council, the President of the Parliament addressed a letter to the Council<sup>104</sup> asking for a number of further modifications. Finally, on 31 October 1971<sup>105</sup>, the Council accepted some of the additional proposals suggested by the Parliament.

Le Conseil, après avoir attentivement examiné vos suggestions, a décidé d'aller à la rencontre des souhaits que vous avez formulés et a, en conséquence, décidé de modifier certains points de cette procédure.

Even if the Parliament's requests were not accepted in full, this was probably the first case where a dynamic of discussions and negotiations was launched between the Council and the Parliament, with constructive progress achieved.

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<sup>104</sup> Sent 6.7.1972, HAEU, CM 2 12i, p. 5.

<sup>105</sup> Letter of the Council of 31.10.1972 - 14394, HAEU, CM 2 121, p. 81.



Meanwhile, the global scenario was evolving. On 22 March 1971, the Council and the representatives of the governments of the Member States adopted a resolution on the phased introduction of economic and monetary union<sup>106</sup>.

## **Preparation of new proposals**

After the adoption of the 1970 Treaty, the Commission committed itself before the plenary of the Parliament<sup>107</sup> to submitting proposals for strengthening the latter's legislative powers by September 1974.

**Enfin, je rappelle, à la demande de M. Spénale, que quand nous avons introduit, au mois de juillet de l'année dernière, nos propositions d'application de l'article 201 et de modification de l'article 203, nous avons dit pourquoi nous n'ajoutions pas de propositions de modifications en ce qui concerne le pouvoir législatif qui est jusqu'à présent entièrement réservé au Conseil de ministres. En effet, nous avons alors annoncé et nous le confirmons encore une fois, que notre intention et l'intention de nos successeurs à la Commission est de faire des propositions en ce qui concerne le pouvoir législatif du Parlement européen, pour le mois de septembre 1974.**

With a view to preparing these measures, the Commission decided at its meeting of 22 July 1971 to set up a group of independent experts to examine the whole corpus of problems connected with the enlargement of the powers of the European Parliament.

The group,<sup>108</sup> coordinated by Professor Georges Vedel, adopted its report on 25 March 1972<sup>109</sup>.

## **Vedel report**

The mandate of the group was simple and clear: to examine all the implications of extending the powers of the European Parliament, taking into account the constitutional principles and practices of the Member States and the need for decisions to be taken within a framework of democratic legitimacy, with a view to a gradual transfer of power and competences from the Member States to the Community institutions.

The report proposed specific solutions, which we will now outline.

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<sup>106</sup> OJ C 28, 27.3.1971, p. 1.

<sup>107</sup> European Parliament, minutes of the sitting of 13 May 1970, p. 77, HAEP, PE0 AP DE/1970 DE19700513-03 9900.

<sup>108</sup> This group consisted of 14 personalities: Jean Buchmann, Professor at the Université Catholique de Louvain; Leopoldo Elia, Professor at the University of Rome; Carl August Fleischer, Professor at the University of Oslo; Jochen A. Frowein, Professor at the University of Bielefeld; Giuseppe Guarino, Professor at the University of Rome; Paul Kapteyn, Professor at the University of Utrecht; Maurice Lagrange, Honorary Counsellor of State, Paris; John Mitchell, Professor at the University of Edinburgh; Mary Robinson, Professor at the University of Dublin; Ulrich Scheuner, Professor at the University of Bonn; Andrew Shonfield, Director of the Royal Institute of International Affairs, London; Max Sørensen, Professor at the University of Aarhus; and Félix Welter, Honorary President of the Council of State, Luxembourg.

<sup>109</sup> *Bulletin of the European Economic Community*, April 1972, no 4, 'Report of the Working Party examining the problem of the enlargement of the powers of the European Parliament', pp. 7-85. Available at: [http://www.cvce.eu/en/obj/vedel\\_report\\_25\\_march\\_1972-en-a4f5b134-99b9-41b3-9715-41769dfea12a.html](http://www.cvce.eu/en/obj/vedel_report_25_march_1972-en-a4f5b134-99b9-41b3-9715-41769dfea12a.html).

## **Reinforcement of legislative powers**

The main conclusion of the report was that the EP should progressively be granted legislative powers.

In the first phase, codecision would be introduced on certain subjects, i.e. those included on the so-called 'list A'<sup>110</sup>. On the subjects included on 'list B',<sup>111</sup> the EP would be granted reinforced powers of consultation, which would include the right to ask the Council to reconsider a subject (indirectly constituting a kind of suspensive veto).

In the second phase, codecision would be extended to all the subjects of list B. The group proposed that the Parliament should be consulted in advance (first reading) so that it could table its amendments to the legislative text and offer guidance to the Council on its requests. Following the Council's decision, the Parliament would proceed to approve the text (consent procedure).

The proposal also mentioned the possibility of 'tripartite meetings' to reconcile positions. The group further envisaged, in case of non-agreement, the intervention of a mediating committee, which would be entrusted with the task of settling points of disagreement between the Council and the Parliament. This committee would be appointed by the Commission.

## **Economic governance**

At the very beginning of the Economic and Monetary Union there was no structure for real economic governance, but the Council could lay down guidelines for the national budgets before these were finally approved.

The Vedel group also suggested the possibility of consulting the Parliament on the formulation of short-term or medium-term economic policy and of plans and programmes, suggesting guidelines on economic policy that could be pursued by the Member States<sup>112</sup>. These guidelines could influence the legislation of the Community and the Member States, and the group therefore concluded in favour of the consultation of the Parliament, with advancement to codecision as soon as economic and monetary union was in place.

## **Budgetary and financial powers of the Parliament**

While the Vedel group was very much open to the notion of enlarging the Parliament's competences in the legislative domain, its conclusions on the budgetary plane were much more reserved.

The report concluded that budgetary power necessarily flows from the decisions taken by the legislator. As the Parliament was, in their construction, co-legislator, they saw no point in attributing specific budgetary competences to the EP, as these should flow automatically from the adopted legislation.

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<sup>110</sup> Revision of the Treaties: implementation of Article 235 of the EEC Treaty and analogous provisions in the ECSC and Euratom Treaties; admission of new members; ratification of international agreements concluded by the Community.

<sup>111</sup> Article 43 (common agricultural policy); Article 54(3)(g) (guarantees required of firms); Article 56 (special treatment for foreign nationals); Article 57 (diplomas and self-employed occupations); Article 75 (common transport policy); Article 84 (sea and air transport); Article 87 (competition); Article 99 (harmonisation of tax systems); Article 100 (harmonisation of laws); Article 103(2) (conjunctural policy); Article 113 (common commercial policy); Article 126 (European Social Fund); Article 128 (vocational training).

<sup>112</sup> OJ 79 of 25.4.1967, p. 1513; OJ L 129 of 30.5.1969, p. 1; OJ L 49 of 1.3.1971, p. 1.

The report also expressed doubts regarding the Parliament's interpretation of Article 203(6) (see above) on the competence to reject the budget as a whole. However, it did not take a final position on this point. Finally, the report offered a different interpretation from the Council's on the subject of compulsory expenditure, which it considered should be limited to decisions where the amount had already been fixed in the legislative text.

### **Scrutiny of legislation**

The Vedel group considered that no change to the Treaty was necessary to reinforce the Parliament's powers of scrutiny. It took the view that the Council, to be more accountable, should present its reasons for rejecting parliamentary positions. However, it opposed making Council deliberations fully transparent, considering that this could be an obstacle to the formation of a consensus within the Council.

### **Investiture of the President of the Commission**

The group was critical of the fact that the Treaties foresaw the possibility of the Parliament dismissing the Commission but did not provide for the Parliament's intervention in the appointment of the members of the College, which was decided by agreement of the Member States alone. The report concluded that the Parliament should intervene in this process by expressing its approval (or rejection) of the governments' choice of Commission President. Approval by the Parliament of the Commission President would underline the political importance of both the office and the person chosen.

### **Direct election of the European Parliament<sup>113</sup>**

The group firmly rejected the view, sustained by many, that the reinforcement of the Parliament's competences should come before direct elections. This argument was indeed supported by those who wanted to avoid the implementation of this article of the Treaty. The view was taken that there should be no link and that either direct elections could precede new competences, or vice versa.

The group took a very pragmatic approach to the question of the electoral system. It considered that the introduction of a common system, although certainly an advantage, would be likely to involve the postponement of direct elections. It therefore concluded that the existing national electoral systems could, at least in the first phase, constitute a sufficient guarantee as regards the direct election of the European Parliament.

### **Relations with national parliaments**

The group also put forward some visionary considerations regarding the relationship between the EP and the national parliaments, notably suggesting:

1. The establishment of structured relations;
2. A joint committee for specific legislative areas;
3. Creation of European affairs committees in the national parliaments;
4. Structured links between the Presidents of the European Parliament and the national parliaments, particularly for harmonisation of the programmes of their respective bodies.

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<sup>113</sup> Article 138 of the Treaty of Rome foresaw the possibility of direct elections to the European Parliament.

The group, as mentioned above, drew attention once again to the need for enhanced coordination at the level of information once economic and monetary union was in place.

### **Some considerations**

The report of the Vedel group constituted an objective 'state of play', drawn up by academics expert in constitutional law, not politically biased and institutionally neutral. Its proposals were balanced, respecting the mandate the group had received.

As a body of technical nature, the group did not question the practicality of its proposals or their political impact: nor did it propose alternative scenarios. Its conclusions were based on the assumption that the first question to resolve, though gradually, was that of legislative powers. Taking this for granted, the Vedel Group downplayed a number of other elements, notably the question of budgetary powers.

In many aspects, the conclusions of the Vedel group were those of visionaries who have inspired future changes. Probably its members could not have foreseen that certain essential aspects, e.g. the extension of codecision to all areas, would be achieved only some 40 years later.

If one takes a closer look at the considerations of the Vedel group on budgetary issues, it is clear that they closely anticipated future developments. Full codecision on all aspects of the budget, with the abolition of the compulsory/non-compulsory divide, has been achieved with the Lisbon Treaty. Meanwhile, budgetary competences are often reduced to a technical aspect as the decision-making process is concentrated on the legislative side. The group remained silent on the issue of the democratisation of the own-resources mechanisms, which it saw as an automatic decision.

Relations with national parliament have since developed considerably, along the lines set by the group. Its warnings on economic governance are still very much on the table, and the issues raised have been only partially resolved with the European Semester. Overall, the Vedel report remains an important reference for future modifications of the Treaties.

### **Preparation of a new Treaty (1975)**

Following the presentation of the Vedel report, the enlarged Bureau of the Parliament established a calendar and a procedure and called<sup>114</sup> for prior consultation by the Commission before it presented its proposals for modification of the Treaty. The Commission was reluctant to follow the requests of the Parliament, which would have implied a limitation of its own right of initiative<sup>115</sup>.

### **Commission proposal**

About one year after the presentation of the Vedel report, the Commission submitted, in June 1973, a formal proposal<sup>116</sup> for the strengthening of the budgetary powers of the European Parliament. In fact, in this proposal the Commission did not follow the Vedel report, whose main conclusion concerned the reinforcement of the legislative powers of

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<sup>114</sup> Letter from Walter Behrendt, President of the Parliament, to Georges Spénale, chair of the committee on finances and budgets, HAEU, EN 892.

<sup>115</sup> Note from Émile Noel to Sjouke Jonker, head of the Commission President's office, P/272/72, HAEU, EN 892.

<sup>116</sup> COM(1000)00/73 on the strengthening of the budgetary powers of the European Parliament, 6.6.1973. See also EC Bulletin 9/73.

the Parliament: rather, it concentrated on the aspect of budgetary powers. The Commission's proposals launched the debate that led to the revision of the Treaty in 1975:

'In 1970 the Commission undertook to submit proposals to strengthen the budgetary powers of Parliament, and the Council has undertaken to examine them. The corresponding two texts are concerned explicitly with the procedure for revision of the Treaty. The time is particularly well-chosen, for 1975 will be the year of the first real budget of the Communities and the Commission's proposals would have to apply from 1975'. (Doc. 1000 (73) COM).

The Commission proposal was structured around the following elements:

#### Budget revenue

1. The Commission incorporated the proposals already presented in 1969, under which all *new resources* should be created in their entirety by means of the Community procedure with the approval of the Parliament, acting by a majority of its members and of three fifths of votes cast.
2. A procedure was proposed for raising loans as part of the budget, through a codecision procedure between Council and the Parliament.
3. A specific provision was proposed concerning the decision on the levy on production under the ECSC Treaty, the decision remaining with the High Authority subject to the assent of the Parliament.

#### Expenditure

4. Proposals for modification without having the effect of increasing expenditure (i.e. compensated by a reduction elsewhere): the Council would be empowered to reject such a proposal by a qualified majority.
5. Proposals for modification having the effect of increasing expenditure: the Council would be empowered to approve such a proposal by a qualified majority.
6. Should the Council modify the Parliament's amendments, the Parliament would have the last word.

#### Monitoring of implementation

7. Creation of a Court of Auditors, consisting of nine members appointed by the governments of the Member States for a 6-year term.
8. Annual presentation of accounts of implementation of previous year, including assets and liabilities.
9. Introduction of a discharge procedure, with the power to grant discharge transferred from the Council and the Parliament to the Parliament alone.
10. Possibility of joint decision by Council and the Parliament on a new Maximum Rate of Increase (MRI) for non-compulsory expenditure.

#### Financial Regulation

11. Adoption of the Financial Regulation with the agreement with the Parliament on the basis of a simple consultation.

### EP position

The Parliament reacted immediately to those proposals with a political resolution adopted in July 1973, drawing attention to the unsatisfactory elements of the Commission's proposals.

The Parliament's enlarged Bureau created, on 13 July 1973, a working group on the strengthening of the Parliament's budgetary powers.<sup>117</sup> It consisted of members of the two relevant committees, the Political Affairs Committee and the Committee on Budgets. The Committee on Budgets submitted two reports to plenary in which it stressed that reform<sup>118</sup> should entail progress on: a) the financial autonomy of the Communities; b) budgetary powers; c) powers and means of control.

In this report, the Parliament expressed its dissatisfaction at the fact that these proposals were excessively focused on the aspects of audit and control, while the Parliament expected to see its powers regarding establishment of the budget reinforced. The Commission's proposals were found to be less advanced than those of 1970, under which, for instance, own resources would have been decided by the Parliament subject to unanimity in Council; under the new proposals, by contrast, own resources would be decided by the Council and there would only be a non-binding consultation of the Parliament.

A more detailed report was adopted by the Parliament in October 1973<sup>119</sup>, with a number of precise indications as to how the EP saw its budgetary powers:

1. **Creation of new resources:** the Parliament saw itself as the institution that should be empowered to adopt own resources, subject to unanimous agreement in Council and allowing time for governments to consult their national parliaments;
2. **Approval of expenditure:** as in all democracies, the European Parliament should approve expenditure. In the event of non-agreement between the Council and the Parliament, a coordination committee should be set up, to consist of representatives of the Parliament and the Council on an equal basis and with the aim of seeking 'acceptable solutions'. The conclusions of this committee would be submitted to the two arms of the budgetary authority, which would be empowered to adopt them by qualified majority. In case of non-agreement, the Parliament's decisions could only be modified by the Council acting unanimously;
3. **Adoption of the annual budget:** the Parliament requested the abolition of the artificial distinction between compulsory and non-compulsory

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<sup>117</sup> The Parliament's enlarged Bureau was composed of the President, the Vice-Presidents and the leaders of the political groups. The working group created on 13 July 1973 on the strengthening of the budgetary powers of the European Parliament consisted of members of the Political Affairs Committee and the Committee on Budgets.

<sup>118</sup> Spénale report on the strengthening of the budgetary powers of the European Parliament, doc. 131/73, HAEP, PE0 AP RP/BUDG.1973 A0-0131/73 0010.

<sup>119</sup> Spénale report on the strengthening of the budgetary powers of the European Parliament, doc. 175/73, HAEP, PE0 AP RP/BUDG.1973 A0-0175/73 0010.

expenditure, but endorsed the Commission's proposals to classify all newly created budget line as NCE. The Parliament also insisted on the formalisation of its power to reject the budget;

- 4. Supervision of implementation:** EP supported the Commission's proposals on this issue, in particular that the Parliament should be the sole authority empowered to grant discharge (on a recommendation by the Council);
- 5. Creation of the Court of Auditors:** the Parliament was ambitious with its requests<sup>120</sup>, of which some were accepted by the Council;
  - a)** The appointment of the members of the Court should be subject to the agreement of the Parliament, which would hold hearings of the nominees;
  - b)** Appointments would be subject to rotation, to avoid the Court having to renew its entire membership on expiry of its mandate;
  - c)** The competences of the Court should be such as to permit investigation of revenue and expenditure at all stages, and its powers of investigation should extend to the Member States;
  - d)** Cooperation with national audit bodies (institutions and services) would be extremely valuable for the Court of Auditors, when examining records and carrying out spot checks. However, such help should not be allowed to constitute a limitation on the Community's audit body.
  - e)** The independence of the Court should be ensured, by conferring on it the status of an institution and guaranteeing it full independence vis-à-vis the institutions whose accounts it audits.

Following the Parliament's position, the Commission revised its proposals<sup>121</sup> taking into account the Parliament's requests, as described above. The Council adopted its position on the revision of the Treaty, after a debate with the Parliament at its meeting of 4 December 1974, reinforcing the Parliament's prerogatives as regards budgetary competences and the establishment of the Court of Auditors. The Council agreed as well on the establishment of a conciliation procedure for legislative acts having financial implications. This important opening was a first step in the direction of codecision, and shows that the EP had now begun to be a credible partner, even for the legislative procedure and some 40 years before the Treaty of Lisbon.

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<sup>120</sup> Aigner Report on the establishment of a European Court of Auditors, doc. 167/75, HAEP, PE0 AP RP/BUDG.1973 A0-0167/75 0010.

<sup>121</sup> See the presentation by Vice-President Claude Cheysson at the HAEU, CM2/1973, no 20.

## 1975 Treaty

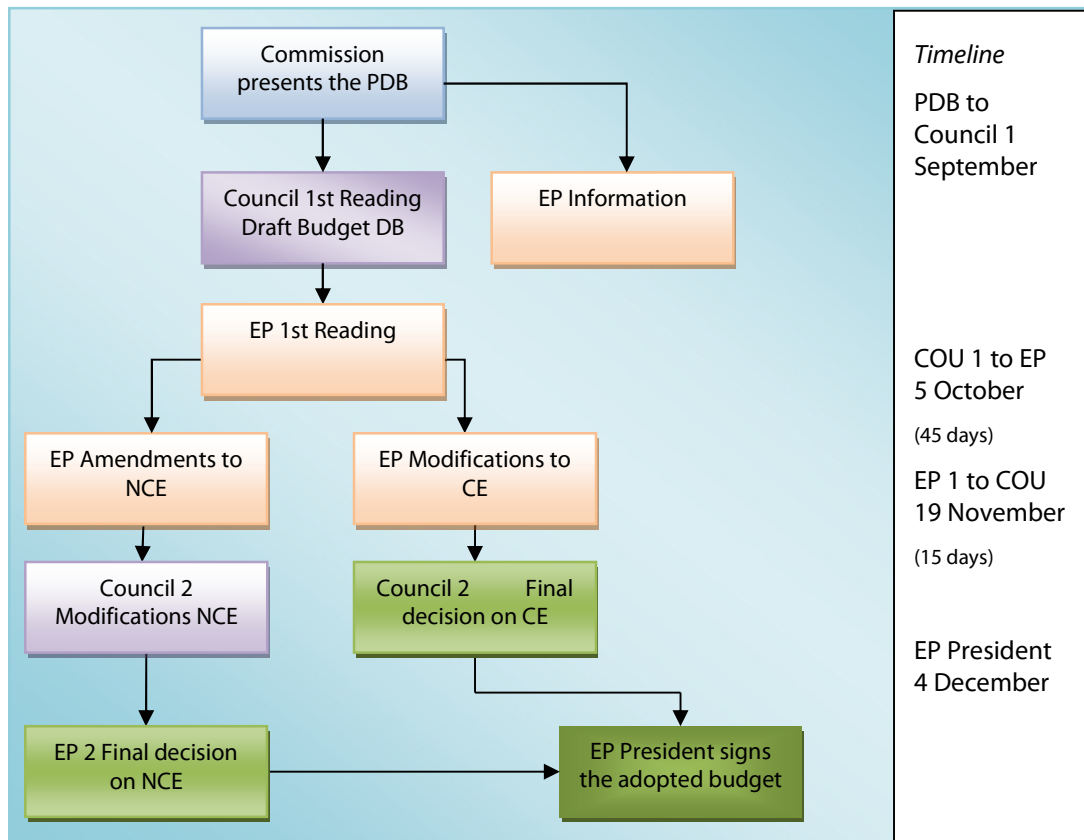
The Member States' representatives adopted the new Treaty on 4 December 1975, but not all the Commission's proposals were accepted.

Control over implementation	
i. Reinforcement of the Control over the use of money through the creation of a Court of Auditors, composed by nine Members appointed by the governments of the Member States for 6 years	Council added the "after consulting the Assembly" and introduced the rotation mechanism, as requested by the Parliament (four Members appointed the first only for four years)
ii. Annual presentation of accounts of implementation of previous year including assets and liabilities	Council accepted the proposal
iii. The setting up of a procedure of discharge with the power to give discharge moved from the Council and the Parliament to the sole Parliament	Council accepted the proposal
Revenue of the Budget	
iv. The Commission incorporated the proposals already presented in 1969, where all new resources should be created entirely by Community procedure with approval of the European Parliament, acting by a majority of its members and of three fifths of the votes casted	Council rejected the proposal
v. The procedure to raise of loans as part of the budget, through a co-decision between Council and Parliament	Council rejected the proposal
vi. A specific provision concerning the decision on the levy on production for the ECSC Treaty, the decision remained with the High Authority with the assent by the Parliament	Council rejected the proposal
Expenditure	
vii. Proposal for modification which doesn't have the effect to increase expenditure (compensated with a reduction) Council reject with qualified majority	Council accepted the proposal
viii. Proposal for modification which has the effect to increase expenditure, Council can approve with qualified majority	Council accepted the proposal
ix. If Council modify EP amendments, EP maintained the final decision	Council accepted the proposal
x. A new Maximum Rate of Increase (MRI) of the non-compulsory expenditure can be decided by co-decision Council and Parliament	Council accepted the proposal
xi. EP President declares the annual budget adopted	NEW
xii. EP can reject the budget	NEW. In fact Commission and Parliament considered that this possibility was already implicit in the Treaty 1970
Financial regulation	
i. Adopted in agreement with European Parliament	Council suppressed the agreement and added the "after consulting the Assembly"



## The annual procedure under the 1975 Treaty

The annual procedure, outlined below, was very similar to that laid down by the 1970 Treaty:



PDB: Preliminary Draft Budget; DB: Draft Budget; EP: European Parliament; CE: compulsory expenditure; NCE: non-compulsory expenditure; COU: Council

The right of the Parliament to reject the entire budget was clearly spelt out.

## Annual budgetary procedures<sup>122</sup>

Even during the institutional turbulence around the reinforcement of its budgetary powers, the Parliament continued to deliver its positions on the annual budgetary decisions, framed already in non-binding multiannual financial estimates.

The annual procedures, during this period, were the opportunity for the Parliament to develop new ideas, both in procedural terms and on substance.

We highlight some elements that have shaped or influenced budgetary policy in the subsequent years.

## Policies supported by Parliament

Over the years, the Parliament has coherently developed a budgetary strategy, calling for the creation of policies and then increasing appropriations over time.

<sup>122</sup> The considerations below are based on the annual reports adopted by the EP at various phases of the budgetary procedure. A full list of those reports and the associated resolutions and debates is annexed. This list is also available in the Historical Archives of the European Parliament in Luxembourg.

The Parliament devoted most of its margin of manoeuvre to a limited number of policies following the entry into force of the Treaty of 1975. Those policies were: regional policy, the European Social Fund, research, information policy, structural measures for agriculture, and development aid.

Concerning administrative expenditure, the Parliament was sensitive to the requests of the Commission, being convinced that the development of new policies required human and financial resources, and committed itself to limiting the cuts regularly introduced by the Council.

The Parliament did not hesitate to introduce budget cuts, for instance concerning the agricultural sector, above all by reason of the uncertain nature of forecasts, and in other cases in order to limit activities seen as institutionally non-essential, as in the case of the administrative appropriations for consultative committees (i.e. comitology), which created a new form of control by the Member States and the Council over the executive prerogatives of the Commission.

### **Shaping the budgetary approach**

The annual procedure regularly encountered problems to which the budgetary authority had to offer specific solutions. This was made possible by the constructive dialogue arising from the 'interinstitutional cooperation', which was informally established by the Council resolution attached to the Treaty of 1970. This concession by the Council created a negotiating dynamic between it and the Parliament, in other words between the two arms of the budgetary authority. This was still far from the 'equal footing' requested by the Parliament, but this cooperation nonetheless positively influenced the procedure and made it possible to agree on solutions.

Regarding relations between Council and Parliament, we have observed that often the Council was more concerned with the short term, while the Parliament was more interested in establishing principles and precedents. A constant concern of the finance ministers meeting in the Budget Council has been to reduce expenditure, especially payment appropriations. To achieve this result, the Council was ready to concede on principles, while the Parliament gave 'money against words'<sup>123</sup>.

### **Differentiated appropriations**

It was during the 1976 annual procedure that the Council and the Parliament agreed to introduce the concept of differentiated versus non-differentiated appropriations in order to limit the impact on the budget of payment appropriations for those actions, which by their nature could be implemented over several years. Differentiated payments were authorised for the European Social Fund, the Guidance section of the agriculture fund, the programmes relating to information and scientific documentation and, later, the research programmes on poverty and research on uranium. This agreement on the annual budget was translated in two legislative acts<sup>124</sup>.

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<sup>123</sup> Expression used by Thomas Von der Vring, chair of the Committee on Budgets, 1989-1994.

<sup>124</sup> Financial Regulation 76/892 of 21 October 1976, OJ L 133, 2.12.1976. Financial Regulation 76/919 of 21 December 1976, OJ L 133, 31.12.1976.

### Maximum rate of increase (MRI) for non-compulsory expenditure

Every year the establishment of the MRI was a potential source of conflict. Several elements were the object of different interpretations. The main ambiguity concerned the basis of the NCE to which the MRI should be applied. A list of types of NCE was circulated by the Commission, but never agreed on by the Parliament, and there was no procedure concerning the newly created lines. Subsequently, the Parliament's interpretation of MRI generally exceeded that of the Council. At the same time, the Council preferred to avoid battles over principles, and, more pragmatically, based its position on substance, in several cases accepting amendments adopted by the Parliament that went beyond the existing MRI, thus implicitly accepting the new MRI.

During the annual procedure for 1977, in the face of the difficulties encountered in finding a common interpretation, the Commissioner for the budget, Christopher Tugendhat, proposed that the MRI should be applicable to both commitment and payment appropriations. However, the efforts of the Commission were not sufficient to reduce the conflictual elements. The story of the 1978 budgetary procedure<sup>125</sup> is a good example of the positions of the institutions on this subject: beyond issues of legality and technicality, the hidden agenda is one of conflict for powers and competences.

The margin of manoeuvre for 1978 was set at 129.4 million European Units of Account (EUA) for commitment appropriations and 95.3 million for payment appropriations. The Parliament's interpretation was that this margin should be calculated for the final vote on the budget, while the Council believed it should be cumulative between first and second readings. In the end, the Council, while not giving up on its interpretation, accepted the Parliament's amendments, thus implicitly endorsing a new MRI, on the basis of respect for Article 203(9) of the Treaty. The table below gives an overview of the situation.

	CA	PA
<b>Initial margin of manoeuvre 1978</b>	129.4	95.3
EP 1st reading voted amend for	140	300
Council accepted	86.5	171
Remaining margin in Council interpretation	42.9	-75.7
BUDG proposed to fully use the remaining margin	129.4	95.3
Amend. voted by EP in 2nd reading	80.9	89.9
Council raised the margin to	70	30
EP reduced the request of BUDG to:	70.9	98.9
Finally Council accepted	80.9	98.9
Final margin of manoeuvre 1978 accepted by Council	167.4	269.9

This procedure marked a further pragmatic advance by the Parliament in terms of expanding its influence over budgetary decisions.

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<sup>125</sup> D. Strasser, 'Le Budget 1978, bilan d'une procédure', *Revue du Marché commun*, 213, January 1978, p. 13.

## Budgetary procedure within Parliament

The 1978 budgetary procedure deserves our attention, since it shows how the Parliament built up its majorities, as well as shedding light on the relations between committees and political groups and, ultimately, the plenary. The Committee on Budgets exercised undisputed leadership, proposing well-founded grounds for increasing the Parliament's powers. It had a certain ability to build consensus at committee level and explain its positions to the political groups, thus making it possible to secure comfortable majorities in plenary.

At the same time, as the same procedure shows, the political groups and the plenary retained political responsibility for finding the best compromise possible, showing the good functioning of the checks and balances mechanisms within Parliament. This capacity of the Parliament to take responsible positions, even against the background of the undisputed leadership of the BUDG committee, reinforced its credibility vis-à-vis the other Institutions.

In practical terms, the Committee on Budgets recommended to the plenary the reinstatement of all first-reading amendments, to 140 million EUA. This was an extreme position adopted in order to open tough negotiations with the Council. The majority of the political groups voted in plenary for a more prudent position, namely to reinstate the first-reading amendments up to a maximum of 80 million EUA: this still entailed obliging the Council to make a further concession to the Parliament.

## Financial Regulation

The 1970 and 1975, Treaties recognised the role of the Parliament as arm of the budgetary authority (with the final word on NCE). The detailed financial rules included in the Financial Regulation were adopted by the Council, with the Parliament only being consulted. The Council was willing to extend cooperation to this legislative domain, and prior to its final decision, initiated a discussion with the EP, which led to the conclusion of an agreement for a modification of the Financial Regulation,<sup>126</sup> in which a number of the Parliament's proposals were accepted.

The Financial Regulation, to facilitate the implementation of the multiannual policies, formalised the concept of **differentiated appropriations**<sup>127</sup>, introducing the distinction between commitments and payments<sup>128</sup>. A 'commitment' was an amount blocked for a multiannual purpose with a legal act (i.e. a contract signed by the Commission with the beneficiary); by contrast, a 'payment' could be disbursed over 2 to 3 years. Following this new rule, the EP created a section of the budget containing all differentiated appropriations, in line with the agreement reached in the annual procedure for 1976. The contrasting term 'non-differentiated appropriations' now designated all the budget lines in which the annual commitment corresponded to the annual payment (salaries, rents, grants).

A second modification<sup>129</sup> introduced in the Financial Regulation was the possibility of **creating/modifying the budgetary nomenclature** in the budgetary procedure.

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<sup>126</sup> Financial Regulation of 21 December 1977, OJ L 365, 31.12.1977.

<sup>127</sup> Already agreed in the annual procedure 1976.

<sup>128</sup> Financial Regulation of 21 December 1977, OJ L 365, 31.12.1977, article 1(3).

<sup>129</sup> *Idem*, article 15(3).

Previously, the nomenclature had been defined by legislation and implemented in the budgetary procedure. This new article enabled the EP to create/modify the nomenclature, thus increasing its influence.

A third modification concerned **loans**<sup>130</sup>: a guarantee was now entered in the budget, with a list attached of the operations covered by it. Another request of the Parliament, namely to authorise the Commission in the annual budget to contract new loans, had been rejected by the Council.

A fourth modification concerned the competence attributed to the Parliament to make transfers between chapters<sup>131</sup> for non-compulsory expenditure. Over the years that followed, the Parliament made considerable use of this competence in order to extend its influence, especially over the Commission and in monitoring implementation. The Parliament entered appropriations in Chapter 100 ('provisional appropriations'), setting conditions for the release of funds.

### **Creation of budgetary lines without a legal basis**

During this period, another conflict emerged between the Parliament and the Council over the possibility of establishing budgets and financing without a legal basis. The Parliament defended the principle that the budget was, per se, a legal basis, and in the 1978 budget, it created 15 new budget lines without a legal basis. The Council was firm in rejecting this interpretation until the moment, in the 1978 budgetary procedure, when it too began to create budget lines without a proper legal basis<sup>132</sup>. The Commission did the same. Even if this point was not formally included in the Financial Regulation, it constituted another pragmatic step forward by the Parliament. The creation of budget lines without a legal basis found a definitive solution with the introduction of pilot projects and preparatory actions in one of the succeeding interinstitutional agreements.

### **Multiannual financial estimates**

The Commission proceeded with an approach of presenting a rolling three-year forecast (N+1+2+3), in parallel with the preparation of budget N+1, thus enabling the Parliament to assess the impact of the package of Community programmes in term of the Communities' financial autonomy. In its opinion<sup>133</sup> on the multiannual financial estimates for 1974-1976, the Parliament criticised the document, arguing that the Commission had 'confined itself to submitting estimates showing the financial implications of regulations and decisions already in force or proposals formally presented', but not of all the initiatives it planned to undertake during that period. It is interesting to note the usefulness and flexibility of this exercise.

### **Discharge procedure**

Since the beginning, the Parliament has had powers of control over the annual spending of the Communities, but the 1975 Treaty conferred on it a new competence, namely the power of discharge in respect of the Commission's budget.

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<sup>130</sup> *Idem*, article 16(3).

<sup>131</sup> *Idem*, article 21(2).

<sup>132</sup> For instance, the Council created 11 actions for cooperation with a number of Mediterranean countries and other lines on Industry and on women's issues.

<sup>133</sup> Rossi André Report on the estimates of expenditure and revenue of the EC budget for the 1974-1976 financial period, doc. 270/73, HAEP, PE0 AP RP/BUDG.1973 A0-0270/73 0010.

In a resolution<sup>134</sup> shaping this new power, the Parliament insisted on the need to draw political conclusions from the control procedure, the need for a support role of the Court of Auditors, and the need for its powers to be sanctioned as foreseen by the Financial Regulation.

4. Considers that its control functions should:

- (a) be such as to avoid duplicating other forms of internal and external control but instead combine them with a view to drawing political conclusions,
- (b) cover on a permanent and retrospective basis all Community resources and expenditure,
- (c) make use of the close and permanent assistance of the Court of Auditors and the help of Community and national administrations,
- (d) be sanctioned by more frequent application of Article 92 of the Financial Regulation <sup>(2)</sup> which provides that:  
‘The institutions shall take all appropriate steps to take action on the comments appearing in the decisions giving discharge’;

Until the institution of direct elections, control was entrusted to a subcommittee ‘of the Parliament’s Committee on Budgets (the Subcommittee on Budgetary Control), and it was only in July 1979, in one of the first resolutions of the newly elected Parliament, that a fully-fledged Committee on Budgetary Control was created. The new committee held its first meeting in September 1979<sup>135</sup>, at which its first chair, Heinrich Aigner, was elected.

In his first speech to the new committee, Mr Aigner summarised the different tasks relating to budgetary control in a multiannual context. He was in the chair until 1988.

It is interesting to draw attention to three elements:

- 1. Control relating to previous years should look to the future and should be translated into budgetary amendments to budget N+1 and powers over transfers.
- 2. There should be scrutiny of the implementation of programmes on a multiannual basis, with requests made to the institutions to supply specific documents.
- 3. It was important to have the support of the Court of Auditors and for the committee to be able to ask it to supply specific reports.

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<sup>134</sup> Resolution of the 15 June 1976 on the role and function of Parliamentary control of Community resources and expenditure, HAEP, PE0 AP RP/BUDG.1973 A0-0143/76 0001, OJ C 159, 12.7.1976, pp 16-17.

<sup>135</sup> See the minutes of this meeting, HAEP, PE1 AP PV/CONT.1979 CONT-19790904 0010.

The Chairman outlined the background to the establishment of the new Committee on Budgetary Control and adverted to the need to **determine** precisely the terms of reference of the Committee. He summarised the work of its predecessor, the Control Sub-Committee, and stressed the importance of its rôle in regard to safeguarding the budgetary powers of Parliament and of ensuring that Parliament's amendments to the general budget were acted upon.

He stressed that the following matters came within the competence of the Committee: the exercise, on behalf of Parliament, of the power of discharge for the implementation of the budget; the control of this implementation during the course of the year, on the basis of the specific reports which the institutions being controlled are required to furnish to Parliament in accordance with the provisions of the Financial Regulation of the Communities, as well as the specific reports that the Committee may call for from the institutions and from the Court of Auditors - notably in the case of the latter in view of the assistance which, by virtue of the Treaty, it is required to furnish to Parliament.

The Chairman mentioned that the problem of determining the Committee responsible for examining requests for the transfer of appropriations during the budgetary year was an important one. He considered that this responsibility ought to pertain also to the Committee on Budgetary Control.

**Extract from the introductory speech by Heinrich Aigner,  
first chair of the Committee on Budgetary Control, 4 September 1979**

The role of the Committee on Budgetary Control has further developed since 1979 in the context of the elected Parliament: the Parliament proceeded to institute a discharge procedure for all institutions, agencies and joint undertakings.





## Concluding remarks

The period 1957-1978 is certainly one of the most exciting periods with regard to the Institutional role of the European Parliament in the budgetary domain.

These 20 years were characterised by the enthusiasm that marks the beginning of a new adventure, and by the attempts of the different actors to refocus their roles. This was true not only for the Member States, but also for the Commission and the Parliament. The extreme consequences of diverging positions exploded with the crisis of 1965, which was followed by development of the capacity to build a new consensus for the progress of European integration, with a modest reinforcement of the powers of the Parliament but always under the umbrella of the 'Luxembourg compromise', which made it clear that the Community method could work only when it did not affect Member States' interests.

Finally, we must stress the Parliament's struggle to have its role recognised by the Treaty and its successes in obtaining a partial say in the budgetary procedure, as well as its successful seizing of the opportunity to have a recognised role as legislator.

The Parliament's struggles were not in vain. It took full advantage of not being elected and easily obtained the support of the national parliaments, as Members having a double mandate could influence the positions of their national parliaments, which exerted powers of control over their respective governments.

The Council, aware of the limited reinforcement given to the Parliament, was more open in the area of 'soft law', and established procedures, e.g. conciliation on legislative texts with financial implications, which created no real powers of decision but still offered new means of expanding the Parliament's influence.

Finally, the Parliament used its powers to the limit in order to expand its influence. Some considered that the Parliament was diverting the procedures to obtain results in unrelated areas. Had the Parliament had more legislative powers like most national parliaments, its attitude would probably have been different.

Over this period, the European Parliament gained greater credibility and contributed to finding the right balance, also in its legislative opinions and the quantity and quality of its work, convinced that the bar could be raised once it was directly elected.



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<sup>136</sup> No English version before 1973.

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PE0 AP RP/BUDG.1973 A0-0345/74	Draft amendments to the estimate of income and expenditure of the EP for 1975	GERLACH, Horst Bruno
PE0 AP RP/BUDG.1973 A0-0533/74	Draft amending and supplementary Budget n° 1 of the EC for 1975	AIGNER, Heinrich
PE0 AP RP/BUDG.1973 A0-0055/75	Draft of the second supplementary budget of the EC for 1975	AIGNER, Heinrich
PE0 AP RP/BUDG.1973 A0-0080/75	Initial list of request to carry forward appropriations not carried forward automatically	SHAW, Michael Norman
PE0 AP RP/BUDG.1973 A0-0111/75	Discharge for the financial year 1971	GERLACH, Horst Bruno
PE0 AP RP/BUDG.1973 A0-0143/75	Second list of requests to carry forward appropriations from 1974 to 1975	SHAW, Michael Norman
PE0 AP RP/BUDG.1973 A0-0150/75	Draft estimates of revenue and expenditure of the EP for 1976	FLESCH, Colette
PE0 AP RP/BUDG.1973 A0-0166/75	Council's draft Treaty amending certain financial provisions of the Treaties establishing the EC and of the Treaty establishing a single Council and a single Commission of the EC	LANGE, Bernd
PE0 AP RP/BUDG.1973 A0-0305/75	Proposal from the Commission of the EC to the Council for a regulation modifying the financial regulation of 25 April	SHAW, Michael Norman

	applicable to the General Budget of the EC	
PE0 AP RP/BUDG.1973 A0-0361/75	Draft general budget of the EC for 1976	COINTAT, Michel
PE0 AP RP/BUDG.1973 A0-0364/75	Draft amending and supplementary budget n° 3 of the EC for 1975	AIGNER, Heinrich
PE0 AP RP/BUDG.1973 A0-0366/75	Corrections to the EP's estimates of revenue and expenditure for 1976	FLESCH, Colette
PE0 AP RP/BUDG.1973 A0-0441/75	Draft general budget of the EC for 1976 modified by the Council on 3 December 1975	COINTAT, Michel
PE0 AP RP/BUDG.1973 A0-0445/75	Transfers between the "Food Aid" chapter and the European Agricultural Guidance and Guarantee Fund, "Guarantee" section	BRUCE OF DONINGTON, Lord Donald
PE0 AP RP/BUDG.1973 A0-0097/76	Inter-institutional dialogue on certain budgetary questions	COINTAT, Michel
PE0 AP RP/BUDG.1973 A0-0460/76	The accounts of the EP and the discharge to be given in respect of the financial year, 1972, 1973 and 1974	BANGEMANN, Martin
PE0 AP RP/BUDG.1973 A0-0470/76	Replacement of financial contributions from Member States by the Communities' own resources	NOTENBOOM, Harry A.C.M
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This study provides a history of budgetary powers and politics in the EU during the period 1957-1978, focusing on the role of what was then still a non-(or indirectly) elected European Parliament. It follows a timeline divided into three periods: (i) beginnings (1957-1964), (ii) preparations for modification of the Treaty (1965-1969), and (iii) the first phase of democratic control (1970-1978).

The modifications to the Treaty of Rome, with the two budgetary treaties of 1970 and 1975, were the results of conflicts, diplomacy and compromises. After more than 20 years the balance of power between the institutions had changed; full democratic control had not been achieved, but important progress had been made, and Parliament, though still not directly elected, had gained in influence and respect.

This study gives a detailed description of various elements of the budgetary powers shaped by the two treaties, in particular those which would enable the elected Parliament to continue its fight for more influence and greater powers, not only in the budgetary domain but also in legislative and institutional matters too.

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