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**A8-0390/2016**

20.12.2016

# **REPORT**

on possible evolutions of and adjustments to the current institutional set-up of  
the European Union  
(2014/2248(INI))

Committee on Constitutional Affairs

Rapporteur: Guy Verhofstadt

PR\_INI

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on possible evolutions of and adjustments to the current institutional set-up of the European Union (2014/2248(INI))**

*The European Parliament,*

- having regard in particular to Articles 1, 2, 3, 6, 9, 10, 14, 15, 16, 17, 48 and 50 of the Treaty on European Union (TEU), and to Articles 119, 120-126, 127-133, 136-138, 139-144, 194 and 352 of the Treaty on the Functioning of the European Union (TFEU) and the Protocols thereto,
- having regard to the Charter of Fundamental Rights of the European Union,
- having regard to the report of 22 June 2015 of the President of the European Commission in close cooperation with the Presidents of the European Council, the European Parliament, the European Central Bank and the Eurogroup entitled ‘Completing Europe’s Economic and Monetary Union’ (the ‘Five Presidents’ Report’)<sup>1</sup>,
- having regard to its legislative resolution of 19 November 2013 on the draft Council regulation laying down the multiannual financial framework (MFF) for the years 2014-2020<sup>2</sup>, and to its decision of 19 November 2013 on conclusion of an interinstitutional agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>3</sup>,
- having regard to the MFF and the interinstitutional agreement as adopted on 2 December 2013<sup>4</sup>,
- having regard to the work and interim report of the high-level group on own resources<sup>5</sup>,
- having regard to the European Council conclusions of 18-19 February 2016 concerning a new settlement for the United Kingdom within the European Union, which has been rendered void by the UK’s decision to leave the Union,
- having regard to the vote in the UK referendum on EU membership to leave the EU,
- having regard to Standard Eurobarometer 84 of Autumn 2015 entitled ‘Public opinion in the European Union’ and to the Special Barometer of the European Parliament of June 2016 entitled ‘Europeans in 2016: Perceptions and expectations, fight against terrorism and radicalisation’,
- having regard to Opinion 2/13 of the Court of Justice of the European Union on the draft agreement providing for the accession of the EU to the Convention for the

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<sup>1</sup> [http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report\\_en.pdf](http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf)

<sup>2</sup> OJ C 436, 24.11.2016, p. 49.

<sup>3</sup> OJ C 346, 24.11.2016, p. 47.

<sup>4</sup> OJ L 347, 20.12.2013, p.884.

<sup>5</sup> [http://ec.europa.eu/budget/mff/hlgor/index\\_en.cfm](http://ec.europa.eu/budget/mff/hlgor/index_en.cfm)

Protection of Human Rights and Fundamental Freedoms ('European Convention on Human Rights' – ECHR)<sup>1</sup>,

- having regard to the European Council decision establishing the composition of the European Parliament of 28 June 2013<sup>2</sup>,
- having regard to its resolution of 12 December 2013 on constitutional problems of a multitier governance in the European Union<sup>3</sup>,
- having regard to its resolution of 15 April 2014 on the MFF 2014-2020: lessons to be learned and the way forward<sup>4</sup>,
- having regard to its resolutions of 22 November 2012 on elections to the European Parliament in 2014<sup>5</sup>, and of 4 July 2013 on improving the practical arrangements for the holding of the European elections in 2014<sup>6</sup>,
- having regard to its resolution of 20 November 2013 on the location of the seats of the European Union's institutions<sup>7</sup>,
- having regard to its resolution of 28 October 2015 on the European Citizens' Initiative<sup>8</sup>,
- having regard to its resolution of 11 November 2015 on the reform of the electoral law of the European Union, and to its proposal for amending the Act concerning the election of the members of the European Parliament by direct universal suffrage<sup>9</sup>,
- having regard to its resolution of 28 June 2016 on the decision to leave the EU resulting from the UK referendum<sup>10</sup>,
- having regard to its resolution of XXXXX on improving the functioning of the European Union building on the potential of the Lisbon Treaty,
- having regard to its resolution of XXXXX on budgetary capacity for the Eurozone,
- having regard to its resolution of 25 October 2016 with recommendations to the Commission on the establishment of an EU mechanism on democracy, the rule of law and fundamental rights<sup>11</sup>,
- having regard to Regulation (EU) 2016/1624 of the European Parliament and of the Council of 14 September 2016 on the European Border and Coast Guard<sup>12</sup>,

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<sup>1</sup> ECJ Opinion 2/13 of 18 December 2014.

<sup>2</sup> OJ L 181, 29.6.2013, p. 57.

<sup>3</sup> Texts adopted, P7\_TA(2013)0598.

<sup>4</sup> Texts adopted, P7\_TA(2014)0378.

<sup>5</sup> Texts adopted, P7\_TA(2012)0462.

<sup>6</sup> Texts adopted, P7\_TA(2013)0323.

<sup>7</sup> Texts adopted, P7\_TA (2013)0498.

<sup>8</sup> Texts adopted, P8\_TA(2015)0382.

<sup>9</sup> Texts adopted, P8\_TA(2015)0395.

<sup>10</sup> Texts adopted, P8\_TA(2016)0294.

<sup>11</sup> Texts adopted, P8\_TA(2016)0409.

<sup>12</sup> OJ L 251, 16.9.2016, p. 1.

- having regard to the opinions of the European Economic and Social Committee of 16 September 2015<sup>1</sup> and of the Committee of the Regions of 8 July 2015<sup>2</sup>,
  - having regard to the Declaration ‘Greater European Integration: The Way Forward’ by the Presidents of the Camera dei Deputati of Italy, the Assemblée nationale of France, the Bundestag of Germany and the Chambre des Députés of Luxembourg, signed on 14 September 2015 and currently endorsed by several national parliamentary chambers in the EU,
  - having regard to the opinion of the Committee of the Regions of 31 January 2013 on ‘Strengthening EU citizenship: promotion of EU citizens’ electoral rights’<sup>3</sup>,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Constitutional Affairs and the opinions of the Committee on Budgets and the Committee on Budgetary Control (A8-0390/2016),
- A. whereas this resolution is aimed at providing solutions which cannot be reached using the tools currently provided for in the Treaties and which are therefore only feasible through a future Treaty change;
  - B. whereas the inability of the EU institutions to cope with the deep and multiple crises currently faced by the Union, the so-called ‘polycrisis’ including its financial, economic, social and migratory consequences and the rise of populist parties and nationalist movements have all led to increased dissatisfaction among a growing section of the population regarding the functioning of the current European Union
  - C. whereas these significant European challenges cannot be handled by single Member States, but only by a joint response from the European Union;
  - D. whereas progress towards a Union that can really deliver on and achieve its goals are impaired by a failure of governance owing to a continuous and systematic search for unanimity in the Council (which is still based on the so-called Luxembourg Compromise) and the lack of a credible single executive authority enjoying full democratic legitimacy and competence to take effective action across a wide spectrum of policies; whereas recent examples such as the inadequate management of refugee flows, the slow clean-up of our banks after the outbreak of the financial crisis and the lack of an immediate common response to the internal and external threat of terrorism have aptly demonstrated the Union’s inability to respond effectively and quickly;
  - E. whereas the EU cannot fulfil the expectations of European citizens, because the current Treaties are not being fully exploited and do not provide all the necessary instruments, competences and decision-making procedures to effectively tackle these common objectives;
  - F. whereas this problem, coupled with a lack of a common vision on the part of the

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<sup>1</sup> OJ C 013, 15.1.2016, p. 183.

<sup>2</sup> OJ C 313, 22.9.2015, p. 9.

<sup>3</sup> OJ C 62, 2.3.2013, p. 26.

Member States as regards the future of our continent, has given rise to unprecedented levels of ‘euroscepticism’ which is leading to a return to nationalism and risks undermining the Union and possibly even its disintegration;

- G. whereas, instead of fostering the Union, the system whereby Member States resort to ‘à la carte’ solutions, further reinforced in the Lisbon Treaty, has increased the complexity of the Union and accentuated differentiation within it; whereas, despite the flexibility offered by the Treaties, numerous primary-law opt-outs have been granted to several Member States, and this has created an opaque system of intersecting circles of cooperation and impeded democratic control and accountability;
- H. whereas the Treaties offer forms of flexible and differentiated integration at secondary law level through the instruments of enhanced and structured cooperation which should only be applied to a limited number of policies while being inclusive in order to allow all Member States to participate; whereas, twenty years after its introduction, the impact of enhanced cooperation remains limited; whereas enhanced cooperation has been granted in three instances, namely with regard to common rules on the applicable law for divorces of international couples, the European patent with unitary effect and the introduction of a Financial Transaction Tax (FTT); whereas enhanced cooperation must be used as a first step towards further integration of policies such as the Common Security and Defence Policy (CSDP) and not as a way to facilitate ‘à la carte’ solutions;
- I. whereas the Community method must be preserved and not undermined by intergovernmental solutions, even in areas where not all Member States fulfil the conditions for participation;
- J. whereas, however, the euro is the currency of the Union (Article 3(4) of the TEU), the United Kingdom obtained a derogation from joining (Protocol No 15), Denmark has a constitutional exemption (Protocol No 16), Sweden has ceased to follow the euro convergence criteria and the possibility of Greece leaving the single currency has been openly discussed in the European Council; whereas, all Member States have the obligation to join the currency once they meet all the requisite criteria, while no timetable has been set for Member States joining the euro after its creation;
- K. whereas, as regards Schengen, the free movement of people and the resulting abolition of internal border controls, all formally integrated into the Treaties, ‘opt-outs’ were given to the UK and Ireland; whereas four other Member States are also not taking part, but have the obligation to do so, while ‘opt-ins’ were accorded to three countries outside the European Union; whereas this fragmentation not only prevents the total abolition of some remaining internal borders, but also poses difficulties for the establishment of a true internal market and of a fully integrated area of freedom, security and justice; recalls that integration into the Schengen zone must remain the objective for all EU Member States;
- L. whereas opt-outs for individual Member States endanger the uniform application of EU law, lead to excessive complexity in terms of governance, jeopardise the cohesion of the Union and undermine solidarity among its citizens;

- M. whereas, since the Treaty of Lisbon, further accelerated by the economic, financial, migration and security crises, the European Council has widened its role to include day-to-day management through the adoption of intergovernmental instruments outside the framework of the EU, despite the fact that its role is not to exercise legislative functions but to provide the Union with the necessary impetus for its development and to define general political direction and priorities (Article 15(1) of the TEU);
- N. whereas the reliance on unanimity in the European Council and its incapacity to achieve such unanimity has led to the adoption of intergovernmental instruments outside the EU legal framework such as the European Stability Mechanism (ESM), the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG or the ‘Fiscal Compact’); whereas the same applies to the deal with Turkey on the Syrian refugee crisis;
- O. whereas, while Article 16 of the TSCG provides that within five years of the date of entry into force (before 1 January 2018) the necessary steps must have been taken to incorporate the Fiscal Compact into the legal framework of the Union and while similar provisions are included in the Intergovernmental Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund, it is clear that the resilience of the euro area, including the completion of the banking union, cannot be achieved without further fiscal deepening steps together with the establishment of a more reliable, effective and democratic form of governance;;
- P. whereas this new system of governance implies that the Commission is to become a genuine government, accountable to Parliament and equipped to formulate and implement the common fiscal and macro-economic policies that the euro area needs, and must be endowed with a treasury and budget commensurate with the scale of the tasks at hand; whereas this requires, in addition to measures within the existing primary law, a reform of the Lisbon Treaty;
- Q. whereas this is also the case for the necessary reform and modernisation of the financial resources of the whole European Union; whereas the agreement on the current multiannual financial framework (MFF) was only reached after long and strenuous negotiations and was accompanied by the decision to establish a high-level group to review the Union’s revenue system of ‘own resources’, due to report in 2016; whereas the current MFF severely limits the financial and political autonomy of the Union, as most of the revenue consists of national contributions by the Member States and a large part of the expenditure is already preordained by means of returns to these same Member States; whereas GNP/GNI-based national contributions have become by far the largest source of revenue;
- R. whereas the current Multiannual Financial Framework (MFF) is inferior in nominal terms compared to the previous one while the circumstances require major budgetary efforts to assist refugees and stimulate economic growth, social cohesion and financial stability;
- S. whereas the unanimity requirement for tax policy stands in the way of tackling the existence of tax havens within the European Union and harmful tax policies of Member States; whereas many of these practices distort the functioning of the internal market, endanger the Member States ‘revenue, and ultimately shift the burden towards citizens

and SMEs;

- T. whereas the European Union is a constitutional system based on the rule of law; whereas the Treaties must be changed to give the European Court of Justice (ECJ) jurisdiction over all aspects of EU law, in accordance with the principle of separation of powers;
- U. whereas the EU is also founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities; whereas the EU's existing instruments for assessing and sanctioning breaches of these principles by Member States have proven insufficient; whereas infringement procedures launched against specific legal acts or actions by a Member State violating EU law are inadequate for addressing systemic breaches of the EU's fundamental values; whereas under Article 7(1) of the TEU the Council is required to act by a majority of four fifths of its members when determining a clear risk of a serious breach of fundamental values, and under Article 7(2) of the TEU the European Council is required to act by unanimity when determining the existence of a serious and persistent breach; whereas as a consequence neither the preventive measure under Article 7(1) of the TEU nor the sanctioning mechanisms under Article 7(2) and (3) have been invoked;
- V. whereas the EU seems to be more able to influence policies on fundamental rights, the rule of law and corruption when countries are still candidates for membership of the Union; whereas the rule of law mechanism should be applied with equal strength to all Member States;
- W. whereas a review is also needed to rebalance and fundamentally renovate the functioning of the Union, with the aim of less bureaucratic regulation and more effective policymaking, closer to the needs of citizens; whereas the Union requires the necessary competences to make progress towards some of its stated objectives such as the completion of the single market including the energy union, social cohesion and aiming at full employment, fair and common migration and asylum management, as well as an internal and external security policy;
- X. whereas building systematic dialogue with civil society organisations and strengthening social dialogue, at all levels in accordance with the principle laid down in Article 11 of the TFEU, are key to overcoming Euro scepticism and to reasserting the importance of Europe's solidarity based dimension, social cohesion and the construction of a participatory and inclusive democracy, as a supplement to representative democracy;
- Y. whereas over the past decade the security situation in Europe has deteriorated markedly, especially in our neighbourhood: no longer can a single Member State guarantee its internal and external security alone;
- Z. whereas the decline of Europe's defence capabilities has limited its ability to project stability beyond our immediate borders; whereas this goes hand in hand with the reluctance of our US allies to intervene if Europe is not ready to take its fair share of responsibility; whereas EU defence policy should be strengthened and a comprehensive EU-NATO partnership should be established, while enabling the Union to act autonomously in operations abroad, mainly with a view to stabilising its



neighbourhood; whereas this means that more intense cooperation is needed among the Member States as well as the integration of some of their defence capacities into a European defence community, both in line with a new European security strategy;

- AA. whereas none of the ‘passerelle clauses’ provided for in the Lisbon Treaty with a view to streamlining the Union’s governance have been deployed, and are unlikely to be so in the present circumstances; whereas, on the contrary, due to the European Council decision of 18-19 June 2009 concerning the reduction in the number of Commission members as envisaged in the Lisbon Treaty, the let-out clause was used instantly;
- AB. whereas, the 2014 European parliamentary elections led for the first time directly to the nomination of the candidate for President of the Commission; whereas, however, citizens were unfortunately not able to vote for the candidates directly; whereas the supranational character of the European elections should be further reinforced by introducing a clear legal basis to ensure that this new system is preserved and developed; whereas, moreover, citizens can barely comprehend the interrelationship of the Presidents of the Commission and the European Council;
- AC. whereas, the urgency for reform of the Union has been dramatically increased by the United Kingdom’s referendum vote to leave the European Union; whereas the negotiations to set out the arrangements for the UK’s withdrawal also need to take account of the framework for its future relationship with the Union; whereas this agreement must be negotiated in accordance with Article 218(3) of the TFEU and be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament; whereas Parliament should therefore be fully involved throughout the negotiation process;
- AD. whereas the UK’s departure would create an opportunity to reduce the complexity of the Union and to clarify what membership of the Union really means; whereas a clear framework is required in the future for the EU’s relationship with non-members in its neighbourhood (the United Kingdom, Norway, Switzerland, Turkey, Ukraine, etc.); whereas the founding fathers of the Union had already envisaged a type of ‘associate status’;
- AE. whereas in this important exercise the Treaties confer on the European Parliament six specific prerogatives, namely: the right to propose amendments to the Treaties (Article 48(2) of the TEU), the right to be consulted by the European Council on amending the Treaties (Article 48(3)(1) of the TEU), the right to insist on calling a Convention against the wishes of the European Council (Article 48(3)(2) of the TEU), the right to be consulted on a decision by the European Council to amend all or part of the provisions of Part III of the TFEU (Article 48(6)(2) of the TEU), the right to initiate a reapportionment of seats in Parliament before the next election (Article 14(2) of the TEU) and the right to propose a uniform electoral procedure (Article 223(1) of the TFEU);
- AF. whereas the roles of the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) must be safeguarded as institutional representatives of civil society organisations and regional and local actors, given that their opinions contribute to increasing the democratic legitimacy of policy-shaping and legislative processes;

- AG. whereas a clear majority of the Union's regional and local governments have consistently expressed their view, through the Committee of the Regions, in favour of a more integrated EU with effective governance;
1. Considers that the time of crisis management by means of ad hoc and incremental decisions has passed, as it only leads to measures that are often too little, too late; is convinced that it is now time for a profound reflection on how to address the shortcomings of the governance of the European Union by undertaking a comprehensive, in-depth review of the Lisbon Treaty; considers that short and medium term solutions can be realised by exploiting the existing Treaties to their full potential in the meantime;
  2. Notes that the direction of the Union's reform should lead towards its modernisation by establishing new instruments, new effective European capacities, and by making decision-making processes more democratic, rather than its renationalisation by means of greater intergovernmentalism;
  3. Underlines that recent Eurobarometer polling demonstrates that, contrary to popular belief, EU citizens are still fully aware of the importance of, and in support of, genuine European solutions<sup>1</sup>, inter alia in the fields of security, defence and migration;
  4. Observes with great concern the proliferation of subsets of Member States undermining the unity of the Union by causing a lack of transparency, as well as diminishing the trust of the people; considers that the suitable format for conducting the discussion regarding the Union's future is EU-27; emphasises that the fragmentation of the discussion into various formats or groups of Member States would be counterproductive;
  5. Stresses that a comprehensive democratic reform of the Treaties must be achieved through a reflection on the future of the EU and an agreement on a vision for present and future generations of European citizens, leading to a Convention that guarantees inclusiveness through its composition of representatives of national parliaments, governments of all the Member States, the Commission, the European Parliament and EU consultative bodies such as the Committee of the Regions and the European Economic and Social Committee, and also provides the proper platform for such reflection and engagement with European citizens and civil society;

### *Ending 'Europe à la carte'*

6. Deplores the fact that every time the European Council decides to apply intergovernmental methods and to bypass the 'Community or Union method' as defined in the Treaties, this not only leads to less effective policy-making but also contributes to a growing lack of transparency, democratic accountability and control; considers that a differentiated path is conceivable only as a temporary step on the way towards more effective and integrated EU policy making;
7. Considers that the 'Union method' is the only democratic method for legislating which ensures that all interests, especially the common European interest, are taken into account; understands by 'Union method' the legislative procedure in which the

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<sup>1</sup> Standard Eurobarometer 84 - Autumn 2015 & Special Eurobarometer EP - June 2016.

Commission, as part of its competence as the executive, initiates legislation, Parliament and the Council representing respectively citizens and the states decide in codecision by majority voting while unanimity obligations in the latter become the absolute exceptions, and the Court of Justice oversees and provides ultimate judicial control; insists that even in cases of urgency the ‘Union method’ should be respected;

8. Considers it essential in these circumstances to reaffirm the mission of an ‘ever-closer union among the peoples of Europe’ (Article 1 of the TEU) in order to mitigate any tendency towards disintegration and to clarify once more the moral, political and historical purpose, as well as the constitutional nature, of the EU;
9. Suggests that the requirements for establishing enhanced and structured cooperation should be made less restrictive, inter alia by lowering the minimum number of participating Member States;
10. Proposes that the next revision of the Treaties should rationalise the current disorderly differentiation by ending, or at least drastically reducing, the practice of opt-outs, opt-ins and exceptions for individual Member States at EU primary-law level;
11. Recommends that a partnership be defined and developed in order to set up a ring of partners around the EU for states which cannot or will not join the Union, but nevertheless want a close relationship with the EU; considers that this relationship should be accompanied by obligations corresponding to the respective rights, such as a financial contribution and more importantly respect for the Union’s fundamental values and the rule of law;
12. Believes that the single institutional framework should be preserved in order to achieve the Union’s common objectives and to guarantee the principle of equality of all citizens and Member States;

### ***The UK’s withdrawal from the European Union***

13. Notes that this new form of partnership could be one of the possible outcomes to respect the will of the majority of the citizens of the United Kingdom to leave the EU; stresses that the withdrawal of the UK, as one of the larger Member States, and as the largest non-euro-area member, affects the strength and the institutional balance of the Union;
14. Reaffirms that constitutional elements of the Union, in particular the integrity of the single market and the fact that this cannot be separated from the four fundamental freedoms of the Union (free movement of capital, people, goods and services), are essential, indivisible pillars of the Union, as is the existence of a state of law, guaranteed by the European Court of Justice; reaffirms that this constitutional unity cannot be undone during the negotiations on the UK’s exit from the Union;
15. Calls for the headquarters of the European Banking Authority and the European Medicines Agency, both currently in London, to be moved to another Member State, given the choice made by the citizens of the United Kingdom to leave the EU;

### ***New economic governance for economic growth, social cohesion and financial stability***

16. Is greatly concerned by growing economic and social divergences and the lack of economic reform and financial stability in the Economic and Monetary Union (EMU), as well as the loss of competitiveness of the economies of many of its Member States; which is due, in particular, to the absence of a common fiscal and economic policy; considers, therefore, that the common fiscal and economic policy should become a shared competence of the Union and the Member States;
17. Considers that in their current form the Stability and Growth Pact and the ‘no bail-out’ clause (Article 125 of the TFEU) unfortunately do not achieve the intended objectives; believes that the EU must reject the attempts to return to protectionist national politics, and should continue to be an open economy in the future; warns that this cannot be achieved by dismantling the social model;
18. Acknowledges the improvements brought by the European Semester, the six-pack and the two-pack aimed at addressing these issues, but concludes that they have not solved the problems; believes that legislation needs to be applied and enforced more consistently and deplors the fact that country-specific recommendations are not binding and do not cover spill-over effects between one Member State and another, the euro area or the EU as a whole;
19. Notes additionally that the current system does not sufficiently ensure national ownership of Country-Specific Recommendations; is interested in this regard in the potential offered by the Advisory European Fiscal Board and its future mission of advising the Commission on a fiscal stance that would be appropriate for the euro area as a whole;
20. Is aware of the need to review the efficacy of the many recent crisis-management measures taken by the EU, and to codify in primary law certain decision-making procedures as well as the need to entrench the legal bases of the new regulatory framework for the financial sector; agrees with the Five Presidents’ Report that the ‘open method of coordination’ as the basis for Europe’s economic strategy has not functioned;
21. Proposes therefore the adoption of a ‘convergence code’, as a legal act under the ordinary legislative procedure, setting converging targets (for example for taxation, labour mobility, investment, social cohesion, pensions, public finances and administrative and good governance capacities); suggests that compliance with this code would allow access to EU funds for investment projects or participation in new instruments that combine economic reform with fiscal incentives; insists that euro-area members will only be able to participate when they act in accordance with the convergence code, as this will prevent moral hazard; stresses that the standards and the fiscal incentives will need to be determined in its resolution on budgetary capacity for the Eurozone;
22. Calls for the integration of the Fiscal Compact into the EU legal framework as well as the incorporation of the ESM and the Single Resolution Fund into EU law, on the basis of a comprehensive assessment of their implementation and with corresponding democratic oversight by Parliament to ensure that control and accountability are the

responsibility of those contributing to them; also calls for the further development of the inter-parliamentary conference foreseen in Article 13, to allow substantial and timely discussions between the EP and the national parliaments where needed;

23. Is of the opinion that, in order to increase financial stability, mitigate cross-border asymmetric and symmetric shocks, reduce the effects of recession, and ensure a proper level of investment, the euro area needs a fiscal capacity based on genuine own resources and a European treasury equipped with the ability to borrow; notes that this treasury should be based in the Commission and be subject to democratic scrutiny and accountability through Parliament and the Council;
24. Points out that, because compliance is crucial to the functioning of the Economic and Monetary Union, stronger governmental functions are required than those currently provided by the Commission and/or the Eurogroup, as well as full democratic checks and balances through the involvement of the European Parliament on all EMU aspects; believes that in parallel, to improve ownership, accountability must be ensured at the level where decisions are taken or implemented, with national parliaments scrutinising national governments and the European Parliament scrutinising the European executive;
25. Calls, therefore, for the executive authority to be concentrated in the Commission in the role of an EU Finance Minister, by endowing the Commission with the capacity to formulate and give effect to a common EU economic policy combining macro-economic, fiscal and monetary instruments, backed up by a Eurozone budgetary capacity; the Finance Minister should be responsible for the operation of the ESM and other mutualised instruments, including the budgetary capacity, and be the single external representative of the euro area in international organisations, especially in the financial sector;
26. Considers it necessary to endow the Finance Minister with proportionate powers to intervene in order to monitor the convergence code, and the power to use the fiscal incentives described above;
27. Considers it necessary, without prejudice to the tasks of the European System of Central Banks, to enable the European Stability Mechanism to act as first lender of last resort for financial institutions directly under the European Central Bank's supervision or oversight; considers it necessary, furthermore, for the European Central Bank to enjoy the full powers of a federal reserve, while maintaining its independence;
28. Calls, finally, for the banking union and the capital markets union to be completed step by step, but as soon as possible on the basis of a fast-track timetable;
29. Considers it necessary to lift the unanimity for certain tax practices to allow the EU to safeguard the fair and smooth functioning of the internal market and to avoid harmful tax policies on the part of Member States;

### ***New challenges***

30. Recognises the geopolitical, economic and environmental need for the creation of a

genuine European energy union; underlines that climate change is one of the key global challenges facing the EU; stresses, in addition to the need for the full ratification and implementation of the Paris Agreement and the adaptation of binding EU climate targets and actions, that the constraint that EU policy must not affect a state's right to determine the conditions for exploiting its energy sources, its choice between different energy sources and the general structure of its energy supply (Article 194(2) TFEU) needs to be amended in order to ensure successful implementation of common clean and renewable energy policies;

31. Stresses that the development of new and renewable energy resources should be incorporated into the Treaties as a prime objective for both the Union and the Member States;
32. Notes that the Treaties provide ample means to set up a humane, well-functioning migration management and asylum system, including a European Border and Coast Guard, and welcomes the progress made in this regard; believes, however, that the Treaties, particularly Article 79(5) TFEU, are too restrictive regarding other aspects of migration, especially on the establishment of a genuine European legal migration system; underlines that the future EU migration system must synergise with its foreign aid and its foreign policy, and unify national criteria for granting asylum and access to the labour market; insists that democratic scrutiny by Parliament is needed on the implementation of border control, agreements with third countries, including cooperation on readmission and return, asylum and migration policies, and that the safeguarding of national security cannot be used as a pretext for circumventing European action;
33. Considers it necessary, in view of the intensity of the terrorist threat, to upgrade the EU's capacities in the fight against terrorism and international organised crime; stresses that, beyond strengthening coordination between the competent authorities and agencies in the Member States, Europol and Eurojust should receive genuine investigation and prosecution competences and capabilities, possibly by a transformation into a true European Bureau of Investigation and Counter-Terrorism, with due parliamentary scrutiny;
34. Concludes that the various terrorist attacks perpetrated on European soil have demonstrated that security would be better ensured if it were not an exclusive competence of the Member States; proposes therefore that it be made a shared competence in order to facilitate the establishment of a European investigation and intelligence capacity within Europol under the control of the judiciary; stipulates that in the meantime, in accordance with Article 73 TFEU, there is nothing to prevent the Member States from creating this type of cooperation between their services;

### ***Strengthening our foreign policy***

35. Regrets, as stated in its resolution of XXXXX on improving the functioning of the European Union building on the potential of the Lisbon Treaty, that the EU has not made more progress in developing its capacity to agree and to implement a common foreign and security policy (CFSP); notes that its efforts in initiating a common security and defence policy have not been particularly successful, especially with regard to the sharing of costs and responsibilities;

36. Notes that only by enhancing the Common Foreign and Security Policy can the EU provide credible answers to the new security threats and challenges, and thus fight terrorism and bring peace, stability and order to its neighbourhood;
37. Is of the opinion, while reiterating that more progress could and should be made under the terms of the Lisbon Treaty, including use of the provisions to act by qualified majority voting, that the Vice-President / High Representative should be named EU Foreign Minister and be supported in her efforts to become the main external representative of the European Union in international fora, not least at the level of the UN; considers that , the Foreign Minister should be able to appoint political deputies; proposes a review of the functionality of the current European External Action Service, including the need for appropriate budgetary resources;
38. Stresses the need for the swift establishment of a European Defence Union to strengthen the defence of the EU's territory, which, in strategic partnership with NATO, would enable the Union to act autonomously in operations abroad, mainly with a view to stabilising its neighbourhood and thus improve the EU's role as guarantor of its own defence and security provider, in accordance with the principles of the Charter of the United Nations; draws attention to the Franco-German initiative of September 2016, as well as the Italian initiative of August 2016, which provide useful contributions to this issue; stresses that the European Parliament needs to be fully involved in all steps of the creation of the EDU and must have the right of consent in the event of operations abroad; in view of its relevance, the Treaties should provide specifically for the possibility of establishing a European Defence Union; furthermore, in addition to the European External Action Service, a Directorate-General for Defence (DG Defence) responsible for the internal aspects of the Common Security and Defence Policy should be established;
39. Emphasises the need to increase the resources earmarked for the Common Foreign and Security Policy, in order to ensure that the cost of military operations carried out in the framework of the Common Security and Defence Policy or the European Defence Union is shared more fairly;
40. Proposes that a European Intelligence Office be set up to support the CFSP;

### ***Safeguarding Fundamental Rights***

41. Reiterates that the Commission is the guardian of the Treaties and of the Union's values, as referred to in Article 2 TEU; concludes, in the light of various possible breaches of the values of the Union in a number of Member States, that the current procedure under Article 7 TEU is deficient and cumbersome;
42. Underlines that respect for and the safeguarding of the EU's fundamental values are the cornerstone of the European Union as a community based on values and that they bind the Member States together;
43. Proposes amending Article 258 TFEU in order to explicitly allow the Commission to take 'systemic infringement action' against Member States that violate fundamental values; understands 'systemic infringement action' as the bundling of a group of related individual infringement actions suggesting a serious and persistent violation of Article 2

TEU by a Member State;

44. Proposes extending the right of natural and legal persons who are directly and individually affected by an action to bring a case before the ECJ for alleged violations of the Charter of Fundamental Rights either by EU institutions or by a Member State, by amending Articles 258 and 259 TFEU;
45. Recommends the abolition of Article 51 of the Charter of Fundamental Rights, and the conversion of the Charter into a Bill of Rights of the Union;
46. Believes, moreover, that citizens should be endowed with more instruments of participatory democracy at Union level; proposes, therefore, that the introduction, in the Treaties, of provision for a referendum at EU level on matters relevant to the Union's actions and policies be evaluated;

#### *More democracy, transparency and accountability*

47. Proposes transforming the Commission into the principle executive authority or government of the Union with the aim of strengthening the 'Union method', increasing transparency and improving the efficiency and effectiveness of action taken at the level of the European Union;
48. Reiterates its call for the size of the renewed Commission to be reduced substantially and for its vice-presidents to be reduced to two: the Finance Minister and the Foreign Minister; suggests that the same reduction be applied to the Court of Auditors;
49. Welcomes the successful new procedure whereby European political parties promote their lead candidates for the President of the European executive, elected by the European Parliament on a proposal by the European Council, but believes that they should be able to stand as official candidates at the next elections in all Member States;
50. Emphasises that involving citizens in the political process of their country of residence helps to build European democracy, and calls for the electoral rights of citizens residing in a Member State of which they are not nationals, as set out in Article 22 TFEU, to be extended to include all remaining elections;
51. Supports the European Council Decision of 28 June 2013 to establish a system which will make it possible, before each election to the European Parliament, to reallocate the seats among Member States in an objective, fair, durable and transparent way, respecting the principle of degressive proportionality, while taking account of any change in the number of Member States and demographic trends;
52. Recalls the numerous pronouncements in favour of a single seat for the European Parliament, given the symbolic value of such a move and the actual savings it would achieve;
53. Reiterates its call for a single seat for the European Parliament and its commitment to initiating an ordinary treaty revision procedure under Article 48 TEU with a view to proposing the changes to Article 341 TEU and Protocol 6 necessary to allow Parliament to decide on the location of its seat and its internal organisation;



54. Proposes that all Council configurations, including the European Council, be transformed into a Council of States whereby the European Council's principal responsibility would be to provide direction and coherence to the other configurations;
55. Considers that the Council and its specialised configurations, as the second chamber of the EU legislature, should, in the interest of specialism, professionalism and continuity, replace the practice of the rotating six-month presidency with a system of permanent chairs chosen from their midst; suggests that Council decisions should be taken by one single legislative Council, while the existing specialised legislative Council configurations should be turned into preparatory bodies, similar to committees in the Parliament;
56. Suggests that Member States should be able to determine the composition of their national representation in the specialised Council configurations, whether consisting of representatives of their respective national parliaments, governments or a combination of both;
57. Stresses that, following the creation of the role of EU Finance Minister, the Eurogroup should be considered as a formal specialised configuration of the Council with legislative and control functions;
58. Calls for a further reduction of the voting procedures in the Council from unanimity, wherever it is still applied, for example in foreign and defence matters, fiscal affairs and social policy, to qualified majority, for the existing special legislative procedures to be converted into ordinary legislative procedures, and for the full replacement of the consultation procedure by codecision between Parliament and Council;
59. Proposes that, after the adoption of a budgetary capacity for the Eurozone, when Parliament and the Council vote on decisions specific to the euro area, all MEPs can take part in the vote; however, an approach could be considered whereby only the votes of MEPs elected in the euro area are taken into account while votes of MEPs and representatives from non-euro-area Member States would be considered as non-binding advisory votes, in order to preserve the unique institutional set-up; this would ensure that democratic control and accountability was undertaken by the members of the Eurozone, while the interests of those non-euro countries that are obliged and expected to join the EMU would be considered;
60. Believes that, in strengthening the governance of the euro area, due respect should be paid to the interests of Member States that are not yet part of the euro (the 'pre-ins');
61. Recognises the significant role played by national parliaments in the current institutional order of the European Union, and in particular their role in transposing EU legislation into national law and the role they would play in both ex-ante and ex-post control of legislative decisions and policy choices made by their members of the Council, including its specialised configurations; suggests therefore complementing and enhancing the powers of national parliaments by introducing a 'green card' procedure whereby national parliaments could submit legislative proposals to the Council for its consideration;
62. While respecting the role of national parliaments and the principle of subsidiarity,

acknowledges the EU's exclusive competences on the Common Commercial Policy; calls for a clear delimitation of competences between the Union and the Member States in this respect; notes that this delimitation would have positive effects on jobs and growth both in the EU and in its trading partners;

63. Proposes, moreover, that in line with the common practice in a number of Member States, both chambers of the EU legislature, the Council and, in particular, the Parliament, as the only institution directly elected by citizens, should be given the right of legislative initiative, without prejudice to the basic legislative prerogative of the Commission;
64. Is of the opinion that under Articles 245 and 247 TFEU, not only the Council and the Commission, but also the European Parliament should have the right to bring an action before the European Court of Justice if a member or former member of the European Commission breaches his obligations under the Treaties, is guilty of serious misconduct or no longer fulfils the conditions required for the performance of his duties;
65. Insists that Parliament's right of inquiry should be reinforced and that it should be granted specific, genuine and clearly delimited powers which are more in line with its political stature and competences, including the right to summon witnesses, to have full access to documents, to conduct on-the-spot investigations and to impose sanctions for non-compliance;
66. Is convinced that the EU budget needs to be endowed with a system of genuine own resources, with simplicity, fairness and transparency as guiding principles; considers the work of the High Level Group on Own Resources to be of primary importance, and expects from it timely, effective and ambitious proposals; considers that such a system should reduce the share of GNI contributions to the EU budget with a view to abandoning the 'juste retour' approach of Member States; insists, in this context, on the phasing-out of all forms of rebates;
67. Proposes in this regard that the decision-making procedures for both own resources and the MFF should be shifted from unanimity to qualified majority voting, thereby inducing real codecision between the Council and Parliament on all budgetary matters; repeats its call, furthermore, to make the MFF coterminous with the mandates of Parliament and the European executive, and insists that the finances of all Union agencies should become an integral part of the EU budget;
68. Stresses the need to apply the ordinary legislative procedure for the adoption of the MFF Regulation, in order to align it with the decision-making procedure of virtually all EU multiannual programmes, including their respective financial allocations, as well as the EU budget; believes that the consent procedure deprives Parliament of the decision-making power that it exercises over the adoption of the annual budgets, while the unanimity rule in the Council means that the agreement represents the lowest common denominator, based on the need to avoid the veto of a single Member State;
69. Notes the fact that the list of institutions defined in Article 13 of the Treaty on the Functioning of the European Union (TFEU) differs from that stated in Article 2 of the Financial Regulation; considers that the Financial Regulation already reflects current practice;

70. Finds that there are a few instances where the letter of the TFEU diverges from the practice and the spirit of the Treaty; is of the opinion that these incoherencies need to be corrected in line with the principles of democracy and transparency;
71. Recalls that each of the institutions, as defined in Article 2(b) of the Financial Regulation, has the autonomy to implement its own section of the budget pursuant to Article 55 of the Financial Regulation; points out that such autonomy also entails a substantial level of responsibility regarding use of the funding allocated;
72. Points out that effective supervision of the institutions' and bodies' implementation of the EU budget requires bona fide and more effective cooperation with Parliament and full transparency regarding the use of funding, as well as an annual follow-up document from all the institutions on the discharge recommendations of Parliament; regrets that the Council is not adhering to this procedure and considers that this long-standing state of affairs is unjustifiable and undermines the reputation of the whole Union;
73. Notes that the procedure of giving discharge separately to the individual EU institutions and bodies is a long-standing practice developed to guarantee transparency and democratic accountability towards EU taxpayers and is a means of verifying the relevance and transparency of the use of EU funding; underlines that this effectively guarantees Parliament's right and duty to scrutinise the whole of the EU budget; recalls the Commission's view, expressed in January 2014, that all institutions without exception are fully part of the follow-up process to the observations made by Parliament in the discharge exercise and should unfailingly cooperate to ensure the smooth functioning of the discharge procedure;
74. In order to enable Parliament to take an informed decision on granting discharge, requires the institutions to provide Parliament directly with their annual activity reports and to give Parliament full information in answer to its questions during the discharge process;
75. Is of the opinion that the TFEU needs to ensure Parliament's right of scrutiny of the whole EU budget and not only the part managed by the Commission; urges, therefore, that Chapter 4 of Title II – Financial provisions – of the TFEU be updated accordingly in order to include all the institutions and bodies within the rights and obligations foreseen in that chapter and in coherence with the Financial Regulation;
76. Stresses that all Member States should be obliged to provide an annual declaration to account for their use of EU funds;
77. Acknowledges the crucial role of the Court of Auditors in ensuring better and smarter spending of the EU budget, in detecting cases of fraud, corruption and the unlawful use of EU funds, and in giving a professional opinion on how to better manage EU funding; recalls the importance of the Court's role as a European public auditing authority;
78. Considers that in view of the important role played by the European Court of Auditors in auditing the collection and utilisation of EU funds, it is absolutely essential that the institutions take full account of its recommendations;
79. Notes that the Court's composition and its appointment procedure are laid down in

Articles 285 and 286 TFEU; considers that Parliament and the Council should be on an equal footing when appointing Members of the Court of Auditors, in order to ensure democratic legitimacy, transparency and the complete independence of those Members; calls for the Council to accept in full the decisions taken by Parliament subsequent to hearings of candidates nominated as Members of the Court of Auditors;

80. Deplores the fact that certain appointment procedures have resulted in conflicts between Parliament and the Council on candidates; stresses that it is, as stipulated in the Treaty, Parliament's duty to evaluate the nominees; emphasises that these conflicts might harm the good working relations of the Court with the aforementioned institutions and could possibly have serious negative consequences for the credibility, and hence the effectiveness, of the Court; is of the opinion that the Council should, in the spirit of good cooperation among the EU institutions, accept the decisions taken by Parliament subsequent to the hearings;
81. Calls for the introduction of a legal basis with a view to establishing Union agencies that may carry out specific executive and implementing functions conferred upon them by the European Parliament and the Council in accordance with the ordinary legislative procedure;
82. Points out that, in accordance with the Treaties, Parliament gives discharge to the Commission in respect of implementation of the budget; takes the view that, as all the EU institutions and bodies manage their budgets independently, Parliament should be given the explicit competence to grant discharge to all EU institutions and bodies, and that the latter should be obliged to cooperate fully with Parliament;
83. Believes, finally, that the current Treaty ratification procedure is too rigid to befit such a supranational polity as the European Union; proposes allowing amendments to the Treaties to come into force if not by an EU-wide referendum then after being ratified by a qualified majority of four-fifths of the Member States, having obtained the consent of Parliament;
84. Calls for the European Court of Justice to gain full jurisdiction over all EU policies regarding questions of a legal nature, as is appropriate in a democratic system based on the rule of law and the separation of powers;

### *Constituent process*

85. Commits itself to playing a leading part in these important constitutional developments, and is determined to make its own proposals for Treaty amendment in a timely fashion;
86. Is of the opinion that the 60th anniversary of the Treaty of Rome would be an appropriate moment to start a reflection on the future of the European Union and agree on a vision for the current and future generations of European citizens leading to a Convention with the purpose of making the European Union ready for the decades ahead;

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87. Instructs its President to forward this resolution to the European Council, the Council, the Commission, the Court of Justice of the European Union, the European Central Bank, the Court of Auditors, the Committee of the Regions, the European Economic and Social Committee and the parliaments and governments of the Member States.

## MINORITY OPINION

pursuant to Rule 56(3) of the Rules of Procedure  
by ECR Members Ashley Fox and Kazimierz Kazimierz Michał Ujazdowski

1. The European Union's inability to effectively address the crises it faces is evidence it has overreached itself. It has become too centralised and out of touch with its citizens. It does too much and does it badly. Recent elections and referendums have demonstrated that public opinion is increasingly sceptical of the Union's value, its objectives, and its ability to deliver.
2. The European Union must change. We need a community of Member States co-operating in areas where they have common interests.
3. We call for an intergovernmental conference to be convened which will lay the groundwork for a reformed European Union. The reforms will respect the sovereignty of individual Member States. The democratic legitimacy for decisions will be honoured through use of the veto system and the reformed Union shall be flexible enough to respond to changing circumstances and interests. It will enable cooperation between Member States that wish to work together, focussing only on areas where it can add value and deliver value for money. It will ensure the prominence of political institutions over technical ones, full involvement of national parliaments, and a clear and limited list of delegated competences.

## MINORITY OPINION

pursuant to Rule 56(3) of the Rules of Procedure  
by ENF Member Gerolf Annemans

The ENF Group opposes this report for reasons of principle. The rapporteur displays a single-minded devotion to the dogma and the logic of a Union which is constantly expanding its reach and intensifying its action. This is no surprise, as he is already known to advocate a 'United States of Europe', an idea and a direction which we believe to be contrary to the European identity, whose fundamental principle must be the primacy and value of national identity. This principle is, incidentally, also the strength of the continent of Europe, and only this principle can be taken as the premise for any form of cooperation based on freedom and voluntary engagement. The European Union, which had already gone off the rails with the Lisbon Treaty, which is failing on so many fronts and which has forfeited its credibility, is now seeking to solve its problems by pursuing further the approach which has caused the problems in the first place: a wildly excessive degree of integration. Only by halting this aggression towards the existence of the European Member States and restoring national sovereignty can further disasters be averted. That is also the only correct way to respond to the results of so many referendums on the future of Europe which have either been ignored or discounted.

28.9.2016

## OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Constitutional Affairs

on possible evolutions of and adjustments to the current institutional set-up of the European Union  
(2014/2248(INI))

Rapporteur: José Manuel Fernandes

### SUGGESTIONS

The Committee on Budgets calls on the Committee on Constitutional Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Underlines that the challenges identified by the Europe 2020 strategy persist and are likely to intensify in the coming years; points in particular to the overarching priority of smart, sustainable and inclusive growth and the targets set on employment, innovation, education, social inclusion and climate / energy;
2. Believes that for the Union to meet the objectives of the Europe 2020 strategy and to address current and new challenges effectively it needs to be granted a budget that is proportionate to the mission it is called on to accomplish; considers that the current level of the EU budget, which corresponds to 1 % of the EU-28 GDP, is not sufficient to achieve these goals;
3. Is convinced that the EU budget needs to be endowed with a system of genuine own resources, with simplicity, fairness and transparency as guiding principles; considers the work of the High Level Group on Own Resources to be of primary importance and expects from it timely, effective and ambitious proposals; considers that such a system should reduce the share of GNI contributions to the EU budget with a view to abandoning the 'juste retour' approach of Member States; insists, in this context, on the phasing-out of all forms of rebates;
4. Underlines the need for the EU budget to be simple, clear and easily understood by EU citizens, and to be coordinated with national budgets; considers that these should be underpinning principles for both the expenditure and revenue sides of the EU budget;
5. Calls for an information campaign to ensure that citizens across Europe are better informed about the EU budget, thus making them aware of how the money is being spent and of the budget changes that might have an impact on them;



6. Recalls the numerous pronouncements in favour of a single seat for the European Parliament, given the symbolic value of such a move and the actual savings it would achieve;
7. Considers that the multiannual financial framework (MFF) should allow for maximum flexibility in order to respond to crises and evolving political priorities; underlines, in this regard, that an ambitious 2014-2020 MFF mid-term revision is indispensable; stresses, in this context, the need to make available in the budget all extraordinary revenue resulting from decommitments under the EU budget or competition fines;
8. Notes that the EU budget is often called on to finance extraordinary needs or new political priorities that were not anticipated at the time of adoption of the MFF; stresses that EU commitments should, however, be fully respected and that any new initiatives and needs should not be financed to the detriment of existing EU programmes and policies; considers that the MFF special instruments should be mobilised, as appropriate, for this purpose, and be counted over and above the MFF ceilings, both in commitment and payment appropriations;
9. Underlines the need to safeguard the principle of unity of the budget, and is concerned about the recent shift from the Community method to intergovernmental decision-making as observed in the setting-up of ad hoc satellite instruments outside the EU budget such as the Trust Funds; stresses the need to ensure parliamentary oversight over all EU expenditure;
10. Stresses the need to apply the ordinary legislative procedure for the adoption of the MFF Regulation, in order to align it with the decision-making procedure of virtually all EU multiannual programmes, including their respective financial allocations, as well as the EU budget; believes that the consent procedure deprives Parliament of the decision-making power that it exercises over the adoption of the annual budgets, while the unanimity rule in the Council means that the agreement represents the lowest common denominator, based on the need to avoid the veto of a single Member State.

## RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

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| <b>Date adopted</b>                           | 28.9.2016  |
| <b>Result of final vote</b>                   | +: 28<br>-: 7<br>0: 1  |
| <b>Members present for the final vote</b>     | Nedzhmi Ali, Jonathan Arnott, Richard Ashworth, Reimer Böge, Lefteris Christoforou, Jean-Paul Denanot, Gérard Deprez, José Manuel Fernandes, Eider Gardiazabal Rubial, Jens Geier, Esteban González Pons, Ingeborg Gräßle, Iris Hoffmann, Monika Hohlmeier, Bernd Kölmel, Zbigniew Kuźmiuk, Vladimír Maňka, Ernest Maragall, Siegfried Mureşan, Urmas Paet, Pina Picierno, Paul Rübig, Petri Sarvamaa, Patricija Šulin, Eleftherios Synadinos, Paul Tang, Indrek Tarand, Isabelle Thomas, Inese Vaidere, Monika Vana, Daniele Viotti, Auke Zijlstra, Auke Zijlstra |
| <b>Substitutes present for the final vote</b> | Andrey Novakov, Nils Torvalds, Marco Valli   |

13.10.2016

## **OPINION OF THE COMMITTEE ON BUDGETARY CONTROL**

for the Committee on Constitutional Affairs

on possible evolutions and adjustments of the current institutional set up of the European Union  
(2014/2248(INI))

Rapporteur: Petri Sarvamaa

### **SUGGESTIONS**

The Committee on Budgetary Control calls on the Committee on Constitutional Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

- A. whereas transparency and scrutiny of public accounts are overarching democratic principles which apply to the EU;
- B. whereas all EU institutions without exception ought to be transparent and fully accountable to the citizens of the EU as regards the funds entrusted to them as EU institutions;
- C. whereas the discharge procedure is part of the concept of representative democracy;
  1. Considers that Parliament's powers of oversight and monitoring of EU budget implementation are key to ensuring effective accountability of the institutions and should therefore be reinforced;
  2. Emphasises that any change in the competences of one or more EU institutions should go hand in hand with measures safeguarding the democratic and financial accountability of these institutions, and should, in particular, be accompanied by measures ensuring full budgetary control by Parliament, whenever the financial interests of the Union are affected;
  3. Notes the fact that the list of institutions defined in Article 13 of the Treaty on the Functioning of the European Union (TFEU) differs from that stated in Article 2 of the Financial Regulation; considers that the Financial Regulation already reflects current practice;
  4. Finds that there are a few instances where the letter of the TFEU diverges from the

practice and the spirit of the Treaty; is of the opinion that these incoherencies need to be corrected in line with the principles of democracy and transparency;

5. Recalls that each of the institutions, as defined in Article 2(b) of the Financial Regulation, has the autonomy to implement its own section of the budget pursuant to Article 55 of the Financial Regulation; points out that such autonomy also entails a substantial level of responsibility regarding use of the funding allocated;
6. Points out that effective supervision of the institutions' and bodies' implementation of the EU budget requires bona fide and more effective cooperation with Parliament and full transparency regarding the use of funding, as well as an annual follow-up document from all the institutions on the discharge recommendations of Parliament; regrets that the Council is not adhering to this procedure and considers that this long-standing state of affairs is unjustifiable and undermines the reputation of the whole Union;
7. Notes that the procedure of giving discharge separately to the individual EU institutions and bodies is a long-standing practice developed to guarantee transparency and democratic accountability towards EU taxpayers and is a means of verifying the relevance and transparency of the use of EU funding; underlines that this effectively guarantees Parliament's right and duty to scrutinise the whole of the EU budget; recalls the Commission's view, expressed in January 2014, that all institutions without exception are fully part of the follow-up process to the observations made by Parliament in the discharge exercise and should unfailingly cooperate to ensure the smooth functioning of the discharge procedure;
8. In order to enable Parliament to take an informed decision on granting discharge, requires the institutions to provide Parliament directly with their annual activity reports and to give Parliament full information in answer to its questions during the discharge process;
9. Is of the opinion that the TFEU needs to ensure Parliament's right of scrutiny of the whole EU budget and not only the part managed by the Commission; urges, therefore, that Chapter 4 of Title II – Financial provisions – of the TFEU be updated accordingly in order to include all the institutions and bodies within the rights and obligations foreseen in that chapter and in coherence with the Financial Regulation;
10. Stresses that all Member States should be obliged to provide an annual declaration to account for their use of EU funds;
11. Requests that the Financial Regulation be amended in order to clarify the objectives of the discharge procedure and provide measures to ensure the discharge process is respected, including possible enforcement measures to ensure appropriate follow-up, such as the use of sanctions; highlights that this should be done in order to hold the EU institutions accountable with the aim of protecting the financial interests of EU citizens; stresses that there should be no exceptions;
12. Acknowledges the crucial role of the Court of Auditors in ensuring better and smarter spending of the EU budget, in detecting cases of fraud, corruption and the unlawful use of EU funds, and in giving a professional opinion on how to better manage EU funding; recalls the importance of the Court's role as a European public auditing authority;

13. Considers that in view of the important role played by the European Court of Auditors in auditing the collection and utilisation of EU funds, it is absolutely essential that the institutions take full account of its recommendations;
14. Notes that the Court's composition and its appointment procedure are laid down in Articles 285 and 286 TFEU; considers that Parliament and the Council should be on an equal footing when appointing Members of the Court of Auditors, in order to ensure democratic legitimacy, transparency and the complete independence of those Members; calls for the Council to accept in full the decisions taken by Parliament subsequent to hearings of candidates nominated as Members of the Court of Auditors;
15. Deplores the fact that certain appointment procedures have resulted in conflicts between Parliament and the Council on candidates; stresses that it is, as stipulated in the Treaty, Parliament's duty to evaluate the nominees; emphasises that these conflicts might harm the good working relations of the Court with the aforementioned institutions and could possibly have serious negative consequences for the credibility, and hence the effectiveness, of the Court; is of the opinion that the Council should, in the spirit of good cooperation among the EU institutions, accept the decisions taken by Parliament subsequent to the hearings;
16. Recalls the numerous pronouncements in favour of a single seat for the European Parliament, given the symbolic value of such a move and the actual savings this would represent;
17. Takes the view that the 60th anniversary of the Treaties of Rome at the beginning of 2017 is the ideal occasion on which to relaunch a debate at the highest institutional level, focusing in particular on the more efficient use of funding and of democratic EU budget control mechanisms.

## RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

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| <b>Date adopted</b>                           | 12.10.2016  |
| <b>Result of final vote</b>                   | +: 20<br>-: 2<br>0: 1   |
| <b>Members present for the final vote</b>     | Nedzhmi Ali, Louis Aliot, Dennis de Jong, Martina Dlabajová, Luke Ming Flanagan, Ingeborg Gräßle, Verónica Lope Fontagné, Monica Macovei, Dan Nica, Georgi Pirinski, Petri Sarvamaa, Bart Staes, Marco Valli, Derek Vaughan, Anders Primdahl Vistisen, Tomáš Zdechovský |
| <b>Substitutes present for the final vote</b> | Richard Ashworth, Karin Kadenbach, Andrey Novakov, Markus Pieper, Julia Pitera, Miroslav Poche, Patricija Šulin   |

## RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

|   |   |
|---|---|
| <b>Date adopted</b>   | 8.12.2016   |
| <b>Result of final vote</b>                                     | +: 16<br>-: 5<br>0: 1   |
| <b>Members present for the final vote</b>                       | Mercedes Bresso, Elmar Brok, Fabio Massimo Castaldo, Richard Corbett, Pascal Durand, Danuta Maria Hübner, Ramón Jáuregui Atondo, Constance Le Grip, Jo Leinen, Paulo Rangel, Barbara Spinelli, Claudia Țapardel, Kazimierz Michał Ujazdowski, Guy Verhofstadt, Rainer Wieland |
| <b>Substitutes present for the final vote</b>                   | Gerolf Annemans, Ashley Fox, Charles Goerens, Jérôme Lavrilleux, Viviane Reding   |
| <b>Substitutes under Rule 200(2) present for the final vote</b> | Inés Ayala Sender, Ramón Luis Valcárcel Siso  |