

**Bulletin
of the European Communities**

Supplement 9/73

**Strengthening
of the
Budgetary Powers of the
European Parliament**

(Project of the Commission presented to the Council
on 8 June 1973)

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**EUROPEAN COMMUNITIES
Commission**

In 1970 the Commission undertook to submit proposals to strengthen the budgetary powers of the 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.

The Commission has made a lengthy study of this important question under all its aspects. It considers that if the Communities are to develop and, in particular, if their powers and responsibilities are to be extended, the Parliament must be given progressively wider legislative powers. This development will be marked by important amendments to the Treaties.

The Commission has noted that in accordance with the views currently held by the Heads of State or of Government, progress should be made by stages. In the immediate future, the Parliament and the Council are waiting for the Commission to put forward proposals relating to the budgetary powers of the Parliament.

There is also another time-limit definitely set, that of the end of 1975: before this date, the institutions must submit a report on a European Union. The Commission considers that the preparation of this report will provide an opportunity for deep reflection on the functioning and development of the whole Community system and the distribution of responsibilities among the institutions, and may lead to more ambitious proposals to meet the obligations which will fall upon the Community institutions when the whole complex of relations between the Member States has been transformed into a European Union.

First Part

Principles taken as a basis by the Commission

1. Control

Control over the use of public money by the institutions of the Community is insufficient and must be strengthened. In this connection, Parliament has a key role to play: in this role it will have both the means and the opportunities to exercise control over the whole range of activities.

(a) A permanent supervisory body endowed with considerable authority and enjoying considerable independence is to complete the range and effectiveness of the external supervision as carried out by the existing Audit Board.

For the purpose of emphasizing the important role of the institution which is to replace the latter, it is proposed that it be named the *Court of Auditors*, that its nine members be appointed by the Governments from persons acting in a similar capacity in the Member States, that provisions be included in the Treaty itself—as for the other institutions—laying down its tasks, enumerating its rights, providing within the institutions and on the spot all necessary facilities for the smooth functioning of its services and, finally, that it be stressed that reports will be forwarded by the Court of Auditors to the European Parliament and other institutions and published immediately.

(b) The Commission is pleased that the European Parliament has decided to establish an Accounts Committee. In conjunction with the Court of Auditors, the Committee will exercise complete supervision to ensure that the accounts are in order and public funds being managed properly. What is more, it will be able to make an assessment of the progress of all Community affairs. The verification of accounts being retrospective, the Commission will continue as at present to have the exclu-

sive and heavy responsibility of implementing the budget.

(c) The period of time within which accounts must be submitted by the institutions and examined by the Court of Auditors will have to be imposed by a legal instrument and will have to be short. Parliament will thus be able to monitor annually in as specific a manner as it wishes and in any form it deems suitable, the activities of the Community Institutions. If the Assembly should decide to make the most of the latent powers' at its disposal, it will by examining the accounts after the ground has been prepared by the relevant parliamentary committees be able to examine and appraise any aspect of the common policies.¹

For the purpose of lending effective authority to such debates, the Commission proposes that the *power to give a discharge*, which at present is shared by the Council and Assembly, should, as from 1975, be vested in the European Parliament alone upon a recommendation from the Council.

2. The Budget

(a) The major part of budgetary expenditure is incurred pursuant to decisions of principle and other multi-year commitments adopted by the Council. In accordance with the spirit of cooperation desired between the institutions, it is essential that Parliament should be associated with the thinking and discussion leading up to the final adoption of such decisions and commitments by the Council.

Under the procedures laid down by the Treaties, the Parliament has to be consulted in a large number of cases. Furthermore the Commission has suggested a 'second reading' procedure for important rule-making decisions of general application.² The latter procedure should therefore be applied in the case of all decisions of principle having considerable financial effects over a period covered by several budgets. If, for example, new, permanent machinery for financial intervention were to be

set up tomorrow, a second reading would have to be arranged each time the Council wished to depart markedly from the opinion given by the Parliament upon the first reading. Naturally the Commission undertakes to re-examine its own position each time the second reading procedure is applied.

Without any modification of the general pattern of European construction, Parliament would thus be sure of being associated with the preparation of decisions determining the major annual budget items and, above all, those reflecting Community policies. Parliament will thus be sure of being in a position to express its opinion publicly on all those policies. It will be able, to quote a recent statement by a member of Parliament, to 'highlight the political differences reflecting the decisions of the peoples of Europe'. (This assurance supplements that concerning supervision of all Community activities as part of verification of the accounts of the financial year just ended.)

(b) An anomaly is clearly evident from a reading of the instruments which, in April 1970, expressed the desire of the Government to strengthen the budgetary powers of the Parliament. Whereas, from January 1975, the Parliament's rights with regard to certain expenditure are to be strengthened, its powers are to diminish by comparison with the preceding period as regards 'expenditure which necessarily results from the Treaty or from acts adopted in accordance therewith'. The Commission suggests that in respect of such expenditure the procedure now in force, namely that of the 'inverted majority', should be retained, whereby the Council has the last word but only by a qualified majority.

(c) The Commission is pleased that the Parliament, pursuant to Article 203, should have the last word with regard to the approval of certain expenditure. It recommends that

¹ Including the European Development Fund once it forms part of the budget.

² See doc. COM(73) 570 final of 19 April 1973, sect. IV-B-1

this category of expenditure should gradually be extended to include all expenditure which does not result automatically from previous long-term decision. The Commission will abide by this principle in distinguishing between the two categories of expenditure for the purposes of budgetary proposals and debates.

(d) As required by the instruments of April 1970, the Parliament shall participate in budgetary procedure as regards all aspects of the budget. Along these lines, therefore, the Commission proposes that the Parliament's agreement be required for any recourse to borrowing in part of the budget.

(e) It is likewise in accordance with the logic of the Treaty of April 1970 and of the preceding proposals that *financial regulations* should no longer be left to a decision taken by the Council alone, but that the Parliament's agreement be required.

3. *Own Resources*

The foreseeable and desirable development of the activities of the Communities now raises the point of procedure for creating own resources beyond those permitted by existing provisions. This subject constitutes an important matter of principle. In this connection, the Commission would like — and proposes — a true Community procedure allowing the creation of further own resources. The problem should be examined at regular intervals. However, in view of the importance of the subject, the Council will have to take a unanimous decision and the Parliament will have to decide by a particularly large majority.

Second Part

Explanatory note on the draft Treaty

Control over the implementation of the budget

1. The draft Treaty provides that the decision on the *discharge* of the Commission should be taken by the European Parliament alone; the European Parliament will decide upon a recommendation from the Council. Thus the Council's part in the proceedings relating to the discharge is limited to the making of a recommendation (Art. 5 p. 9).

2. The European Parliament, in carrying out its duties, will have considerably enhanced supervisory powers. The draft, in fact, provides that the Audit Board should be replaced by a *Court of Auditors* (Art. 7 p. 11).

Tasks: The Court of Auditors will examine the accounts (a retrospective control) relating to all the revenues and expenditures of all the Community institutions (i.e. European Parliament, Council, Commission and Court of Justice) which are entered in the budget. To audit all the revenues and expenditures necessarily involves audits in the Member States. It is also the task of the Court of Auditors to audit all independent bodies which may be set up by the Communities, in accordance with their respective constitutive instruments. As in the past, the object of the audit is to ensure legality, regularity and sound financial management. It is not envisaged that the Court will act as a judicial body.

The report of the Court of Auditors will be published (p. 15). The time limit for its submission will have to be fixed in the financial regulations (Art. 5 p. 9).

Statute of the Members: The Statute of the members will be similar to that of the members of the Court of Justice. It will from now on be laid down in the Treaty itself. The members will be appointed by common accord of the Governments of the Member

States; they must be chosen from amongst persons who act or have acted in a similar capacity (pp. 12 et seq).

The Statute of the Court of Auditors will be adopted by the Council by agreement with the European Parliament; the draft Statute will be prepared by the Court of Auditors itself. The Statute will have to deal in particular with relations between the Court of Auditors and national bodies having similar functions, and its relations with the European Parliament (p. 16).

Finance and the drawing up of the budget

Revenue

3. The draft Treaty incorporates the Commission's proposition in December 1969, whereby *new 'own resources'* should be created by an entirely Community procedure. Thus the national stage of the present procedure, which is concerned largely with the approval of national parliaments, will be replaced by the approval of the European Parliament, acting by a majority of its members and of three fifths of the votes cast. Furthermore, the draft Treaty provides for a periodical examination of the situation (every five years) by the Council on the basis of a report from the Commission and after consulting the European Parliament. (Art. 1 p. 4).

4. The draft Treaty lays down the decision-making procedure with regard to the raising of *loans* as part of the budget; the decision will be within the joint province of the Council, acting by a qualified majority, and the European Parliament (Art. 3 p. 7).

5. As regards the fixing of ECSC levies, see No 8 below.

Expenditure

6. The draft Treaty carries into the definitive phase (from the financial year 1975) the 'inverted majority' rule which in the Treaty of 22 April 1970 was provided for only during the transitional phase (financial years

1971-1974). According to this rule, where proposals for modifications presented by the European Parliament do not have the effect of increasing the total amount of the expenditure of an institution, they shall be deemed to be accepted if the Council does not reject them by a qualified majority (Article 203 a (5), second subparagraph). The draft Treaty introduces this rule under the definitive system for all expenditure in respect of which the last word does not rest with the European Parliament (Art. 2 page 5).

The present provisions of the Treaty limit increases in expenditure over which the European Parliament has the last word by means of the 'maximum rate' system. Under this system, there is fixed annually a maximum rate of increase in relation to expenditure of the same kind during the current financial year; the maximum rate may only be exceeded in *exceptional cases* and with the consent of the European Parliament and the Council. In the context of the progressive widening of the area in which the European Parliament has the last word, the draft Treaty does away with the requirement of 'exceptional cases' (Art. 2 p. 6).

7. At present, the *financial regulations* are made by the Council. In view of the European Parliament's powers under the budgetary procedure, and its powers of supervision, the draft Treaty substitutes a joint decision by the Council and the European Parliament (Art. 6 p. 10).

Euratom and ECSC Treaties

8. These two Treaties are to be amended in the same way as the EEC Treaty.

The draft Treaty includes one specific amendment to the ECSC Treaty (Art. 17 p. 24): a joint decision by the Council and the European Parliament for the fixing of the *ECSC levy* and the rules governing the mode of assessment and collection.

(It should be noted that traditionally the European Parliament is consulted on the fixing of the rate of the levy, although this is not required by the ECSC Treaty.)

Third Part

**Second Treaty
amending certain budgetary provisions
of the treaties establishing
the European Economic Communities
and the Treaty establishing
a single Council and a single Commission
of the European Communities**

His Majesty the King of the Belgians, Her Majesty the Queen of Denmark, the President of the Federal Republic of Germany, the President of the French Republic, the President of Ireland, the President of the Italian Republic, His Royal Highness the Grand Duke of Luxembourg, Her Majesty the Queen of the Netherlands, Her Majesty the Queen of the United Kingdom of Great Britain and Northern Ireland,

having regard to Article 96 of the Treaty establishing the European Coal and Steel Community;

having regard to Article 236 of the Treaty establishing the European Economic Community;

having regard to Article 204 of the Treaty establishing the European Atomic Energy Community;

considering that from 1 January 1975 the budget of the Communities will be financed entirely from the Communities' own resources;

considering that the budgetary powers of the Assembly should therefore be strengthened;

considering that for the same reason there should be stricter control over the implementation of the budget of the Communities;

have decided to amend certain budgetary provisions of the Treaties establishing the European Communities and of the Treaty establishing a Single Council and a Single Commission of the European Communities and to this end have designated as their Plenipotentiaries:

His Majesty the King of the Belgians:

...

Her Majesty the Queen of Denmark:

...

The President of the Federal Republic of Germany:

...

The President of the French Republic:

...

The President of Ireland:

...

The President of the Italian Republic:

...

His Royal Highness the Grand Duke of Luxembourg:

...

Her Majesty the Queen of the Netherlands:

...

Her Majesty the Queen of the United Kingdom of Great Britain and Northern Ireland:

...

Who, having exchanged their Full Powers, found in good and due form,

have agreed as follows:

Chapter I

Provisions amending the Treaty establishing the European Economic Community

Article 1

The following provisions are substituted for Article 201 of the Treaty establishing the European Economic Community:

'The Commission shall examine in what manner the Community's own resources could be raised either from the fiscal revenue of the Member States, particularly revenue accruing from harmonized taxes, or from direct or indi-

rect taxes introduced for the benefit of the Community.

In every fifth year the Council, after receiving a report from the Commission and consulting the Assembly, shall examine whether and in what manner new resources should be introduced for the Community.

The Council, acting on a proposal from the Commission and by agreement with the Assembly, may make provision for new resources for the Community or amend the assessment basis for the Community's existing resources. The Council shall act unanimously and the Assembly by a majority of its members and of three fifths of the votes cast.'

Article 2

1. The following provisions are substituted for Article 203 (5) of the Treaty establishing the European Economic Community:

'5. After discussing the draft budget with the Commission and, where appropriate, with the other institutions concerned, the Council may, acting by a qualified majority, modify any of the amendments adopted by the Assembly and shall pronounce on the modifications proposed by the latter in accordance with the provisions of paragraph 5 a.

5 a. Where a proposal for a modification presented by the Assembly does not have the effect of increasing the total amount of the expenditure of an institution, owing in particular to the fact that the increase in expenditure which it would involve would be expressly compensated by one or more proposed modifications correspondingly reducing expenditure, the Council may, acting by a qualified majority, reject the proposed modification. In the absence of a decision to reject it, the proposed modification shall stand as accepted.

Where a proposal for a modification presented by the Assembly has the effect of increasing the total amount of the expenditure of an institu-

tion the Council must act by a qualified majority in accepting the proposed modification.

Where, in pursuance of the first or second subparagraphs of this paragraph, the Council has rejected or has not accepted a proposed modification, it may, acting by a qualified majority, either retain the amount shown in the draft budget or fix another amount.

5 b. If, within fifteen days of the draft budget being placed before it, the Council has not modified any of the amendments adopted by the Assembly or if the modifications proposed by the latter have been accepted, the budget shall be deemed to be finally accepted. The Council shall inform the Assembly that it has not modified any of the amendments and has accepted the proposed modifications.

If, within this period the Council has modified one or more of the amendments adopted by the Assembly or if the modifications proposed by the latter have not been accepted, the draft budget shall again be forwarded to the Assembly. The Council shall inform the Assembly of the results of its deliberations.'

2. The following provisions are substituted for the fifth subparagraph of Article 203 (8) of the Treaty establishing the European Economic Community:

'Where the Assembly, the Council or the Commission considers that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the Assembly, acting by a majority of its members and of three fifths of the votes cast.'

Article 3

The following provisions are added to the Treaty establishing the European Economic Community:

'Article 203b

Any decision to have recourse to the raising of loans shall be decided during the budgetary procedure by the Council acting by a qualified majority and by agreement with the Assembly.'

Article 4

The following provisions are added to the second paragraph of Article 204 of the Treaty establishing the European Economic Community:

'If the decision relates to expenditure which does not necessarily result from the Treaty or from acts adopted in accordance therewith, the Council shall forward it immediately to the Assembly; within fifteen days the Assembly, acting by a majority of its members and three fifths of the votes cast, may adopt a different decision. The decision of the Council shall be suspended pending a decision by the Assembly or the expiry of the said period of fifteen days.'

Article 5

The following provisions are substituted for Article 206 of the Treaty establishing the European Economic Community:

'The Commission shall submit annually to the Council and to the Assembly the accounts of the preceding financial year relating to the implementation of the Budget. The Commission shall also forward to them a financial statement of the assets and liabilities of the Community.

The Assembly, acting upon a recommendation from the Council, shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the report of the Court of Auditors of the European Communities, together with the observations of the institutions, shall be examined in turn by the Council, which shall act by a qualified majority, and by the Assembly.

The time limits for the submission of the accounts, the financial statement and the report of the Court of Auditors shall be laid down in the financial regulations.'

Article 6

The following provisions are substituted for Article 209 of the Treaty establishing the European Economic Community:

'The Council shall, acting unanimously on a proposal from the Commission and by agreement with the Assembly:

- (a) make financial regulations specifying in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts;*
- (b) determine the methods and procedure whereby the contributions of Member States shall be made available to the Commission;*
- (c) lay down rules concerning the responsibility of authorizing officers and accounting officers and concerning appropriate arrangements for inspection.'*

Chapter II

Provisions amending the Treaty establishing a Single Council and a Single Commission of the European Communities

Article 7

The following Articles are substituted for Article 22 of the Treaty establishing a single Council and a single Commission of the European Communities:

'Article 22

A Court of Auditors of the European Communities is hereby established.

Article 22a

1. The Court of Auditors shall consist of nine members.

The number of members of the Court of Auditors may be altered by the Council, acting unanimously and by agreement with the Assembly.

2. The members of the Court of Auditors, shall be chosen amongst persons who act or have acted in a similar capacity and whose independence is beyond doubt.

Only nationals of Member States may be members of the Court of Auditors.

3. The members of the Court of Auditors shall be appointed by common accord of the Member States for a term of six years. The term of office of members of the Court of Auditors may be renewed.

The members shall elect the President of the Court of Auditors from among their number for a term of three years. He may be re-elected.

4. The members of the Court of Auditors shall, in the general interest of the Communities, be completely independent in the performance of their duties.

In the performance of these duties, they shall neither seek nor take instructions from any Government or from any other body. They shall refrain from any action incompatible with their duties.

5. The members of the Court of Auditors may not, during their term of office, engage in any other occupation, whether gainful or not. When entering upon their duties they shall give a solemn undertaking that, both during and after their term of office, they will respect the obligations arising therefrom and in particular their duty to behave with integrity and discretion as regards the acceptance, after they have ceased to hold office, of certain appointments or benefits.

6. Apart from normal replacement, or death, the duties of a member of the Court of Auditors shall end when he resigns or is compulsorily relieved by a finding of the Court of Justice pursuant to paragraph 7.

The vacancy thus caused shall be filled for the remainder of the member's term of office. The Council may, acting unanimously and by agreement with the Assembly, decide that such a vacancy need not be filled.

Save in the case of compulsory retirement under the provisions of paragraph 7, the members of the Court of Auditors shall remain in office until they have been replaced.

7. A member of the Court of Auditors may be deprived of his office or of his right to a pension or other benefits in its stead only if the Court of Justice, on application by the Assembly, the Council or the Commission, finds that he no longer fulfils the requisite conditions or meets the obligations arising from his office.

8. Article 6 of this Treaty and the provisions of the Protocol on the Privileges and Immunities of the European Communities applicable to the Judges of the Court of Justice shall apply also to the members of the Court of Auditors.

Article 22b

The Court of Auditors shall act by a majority of the number of members provided for in Article 22a.

Article 22c

The Court of Auditors shall examine the accounts of all the revenue and expenditure of the institutions of the Communities, entered in the budget. It shall also examine the accounts of all bodies set up by the Communities in accordance with the relevant constitutive instrument.

The purpose of the audit, which shall be based on records and, if necessary, performed on the

spot at the premises of the Institutions of the Communities and in the Member States, shall be to establish that all revenue has been received and all expenditure incurred in a lawful and regular manner and that financial management has been sound.

Without prejudice to its other duties laid down in its Statute or in the financial regulations, the Court of Auditors, after the close of each financial year, shall draw up a report. The report shall be sent to the institutions of the Communities and published.

Article 22d

The Court of Auditors shall prepare a draft of its Statute. The Statute shall be adopted by the Council, acting unanimously and by agreement with the Assembly after having obtained the opinion of the Commission. The Statute shall determine in particular the relations between the Court of Auditors and national bodies with equivalent functions, and its relations with the Assembly.'

Chapter III

Provisions amending the Treaty establishing the European Atomic Energy Community

Article 8

The following provisions are substituted for the first subparagraph of Article 172 (4) of the Treaty establishing the European Atomic Energy Community:

'Any decision to have recourse to the raising of loans shall be decided during the budgetary procedure by the Council acting by a qualified majority and by agreement with the Assembly'

Article 9

The following provisions are substituted for Article 173 of the Treaty establishing the European Atomic Energy Community:

'The Commission shall examine in what manner the Community's own resources could be raised either from the fiscal revenue of the Member States, particularly revenue accruing from harmonized taxes, or from direct or indirect taxes introduced for the benefit of the Community.

In every fifth year the Council, after receiving a report from the Commission and consulting the Assembly, shall examine whether and in what manner new resources should be introduced for the Community.

The Council, acting on a proposal from the Commission and by agreement with the Assembly, may make provision for new resources for the Community or amend the assessment basis for the Community's existing resources. The Council shall act unanimously and the Assembly by a majority of its members and of three fifths of the votes cast.'

Article 10

1. The following provisions are substituted for Article 177 (5) of the Treaty establishing the European Atomic Energy Community:

'5. After discussing the draft budget with the Commission and, where appropriate, with the other institutions concerned, the Council may, acting by a qualified majority, modify any of the amendments adopted by the Assembly and shall pronounce on the modifications proposed by the latter in accordance with the provisions of paragraph 5 a.

5 a. Where a proposal for a modification presented by the Assembly does not have the effect of increasing the total amount of the expenditure of an institution, owing in particular to the fact that the increase in expenditure which it would involve would be expressly compensated by one more proposed modifications correspondingly reducing expenditure, the Council may, acting by a qualified majority, reject the proposed modification. In the absence of a decision to reject it, the proposed modification shall stand as accepted.

Where a proposal for a modification presented by the Assembly has the effect of increasing the total amount of the expenditure of an institution the Council must act by a qualified majority in accepting the proposed modification.

Where, in pursuance of the first or second subparagraphs of this paragraph, the Council has rejected or has not accepted a proposed modification, it may, acting by a qualified majority, either retain the amount shown in the draft budget or fix another amount.

5 b. *If within fifteen days of the draft budget being placed before it, the Council has not modified any of the amendments adopted by the Assembly or if the modifications proposed by the latter have been accepted, the budget shall be deemed to be finally accepted. The Council shall inform the Assembly that it has not modified any of the amendments and has accepted the proposed modifications.*

If, within this period the Council has modified one or more of the amendments adopted by the Assembly or if the modifications proposed by the latter have not been accepted, the draft budget shall again be forwarded to the Assembly. The Council shall inform the Assembly of the results of its deliberations.'

2. The following provisions are substituted for the fifth subparagraph of Article 177 (8) of the Treaty establishing the European Atomic Energy Community:

'Where the Assembly, the Council or the Commission considers that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the Assembly, acting by a majority of its members and of three fifths of the votes cast.'

Article 11

The following provisions are added to the third paragraph of Article 178 of the Treaty

establishing the European Atomic Energy Community:

'If the decision relates to expenditure which does not necessarily result from the Treaty or from acts adopted in accordance therewith, the Council shall forward it immediately to the Assembly; within fifteen days the Assembly, acting by a majority of its members and three fifths of the votes cast, may adopt a different decision. The decision of the Council shall be suspended pending a decision by the Assembly or the expiry of the said period of fifteen days.'

Article 12

The following provisions are substituted for Article 180 of the Treaty establishing the European Atomic Energy Community:

'The Commission shall submit annually to the Council and to the Assembly the accounts of the preceding financial year relating to the implementation of the budget. The Commission shall also forward to them a financial statement of the assets and liabilities of the Community.

The Assembly, acting upon a recommendation from the Council, shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the report of the Court of Auditors of the European Communities, together with the observations of the institutions, shall be examined in turn by the Council, which shall act by a qualified majority, and by the Assembly.

The time limits for the submission of the account, the financial statement and the report of the Court of Auditors shall be laid down in the financial regulations.'

Article 13

The following provisions are substituted for Article 183 of the Treaty establishing the European Atomic Energy Community:

The Council shall, acting unanimously on a proposal from the Commission and by agreement with the Assembly:

(a) make financial regulations specifying in particular the procedure to be adopted for establishing and implementing the budgets, including that of the Agency, and for presenting and auditing accounts;

(b) determine the methods and procedure whereby the contributions of Member States shall be made available to the Commission;

(c) lay down rules concerning the responsibility of authorizing officers and accounting officers and concerning appropriate arrangements for inspection.'

Chapter IV

Provisions amending the Treaty establishing the European Coal and Steel Community

Article 14

The following provisions are substituted for Article 50 (2) of the Treaty establishing the European Coal and Steel Community:

The levies shall be fixed by the High Authority with the assent of the Assembly. They shall be assessed annually on the various products according to their average value; the rate thereof shall not, however, exceed 1 per cent unless previously authorized by the Council, acting by a two-thirds majority. The mode of assessment and collection shall be determined by a general decision of the High Authority, taken after consulting the Council and with the assent of the Assembly; cumulative imposition shall be avoided as far as possible.'

Article 15

1. The following provisions are substituted for Article 78 (5) of the Treaty establishing the European Coal and Steel Community:

'5. After discussing the draft administrative budget with the High Authority and, where appropriate, with the other institutions concerned, the Council may, acting by a qualified majority, modify any of the amendments adopted by the Assembly and shall pronounce on the modifications proposed by the latter in accordance with the provisions of paragraph 5 a.

5 a. Where a proposal for a modification presented by the Assembly does not have the effect of increasing the total amount of the expenditure of an institution, owing in particular to the fact that the increase in expenditure which it would involve would be expressly compensated by one or more proposed modifications correspondingly reducing expenditure, the Council may, acting by a qualified majority, reject the proposed modification. In the absence of a decision to reject it, the proposed modification shall stand as accepted.

Where a proposal for a modification presented by the Assembly has the effect of increasing the total amount of the expenditure of an institution the Council must act by a qualified majority in accepting the proposed modification.

Where, in pursuance of the first or second subparagraphs of this paragraph, the Council has rejected or has not accepted a proposed modification, it may, acting by a qualified majority, either retain the amount shown in the draft budget or fix another amount.

5 b. If, within fifteen days of the draft administrative budget being placed before it, the Council has not modified any of the amendments adopted by the Assembly or if the modifications proposed by the latter have been accepted, the administrative budget shall be deemed to be finally accepted. The Council shall inform the Assembly that it has not modified any of the amendments and has accepted the proposed modifications.

If, within this period the Council has modified one or more of the amendments adopted by the Assembly or if the modifications proposed by the latter have not been accepted, the draft

administrative budget shall again be forwarded to the Assembly. The Council shall inform the Assembly of the results of its deliberations.'

2. The following provisions are substituted for the fifth subparagraph of Article 78 (8) of the Treaty establishing the European Coal and Steel Community:

'Where the Assembly, the Council or the High Authority considers that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the Assembly, acting by a majority of its members and of three fifths of the votes cast.'

Article 16

The following provisions are inserted between the first and second sentences of Article 78 b (2) of the Treaty establishing the European Coal and Steel Treaty:

'If the decision relates to expenditure which does not necessarily result from the Treaty or from acts adopted in accordance therewith, the Council shall forward it immediately to the Assembly; within fifteen days the Assembly, acting by a majority of its members and three-fifths of the votes cast, may adopt a different decision. The decision of the Council shall be suspended pending a decision by the Assembly or the expiry of the said period of fifteen days.'

Article 17

The following provisions are substituted for Article 78 d of the Treaty establishing the European Coal and Steel Community:

'The High Authority shall submit annually to the Council and to the Assembly the accounts of the preceding financial year relating to the implementation of the administrative budget. The High Authority shall also forward to them a financial statement of the assets and liabil-

ities of the Community in the field covered by that budget.

The Assembly, acting upon a recommendation from the Council, shall give a discharge to the High Authority in respect of the implementation of the budget. To this end, the report of the Court of Auditors of the European Communities, together with the observations of the institutions, shall be examined in turn by the Council, which shall act by a qualified majority, and by the Assembly.

The time limits for the submission of the accounts, the financial statement and the report of the Court of Auditors shall be laid down in the financial regulations.'

Article 18

The following provisions are substituted for Article 78 f of the Treaty establishing the European Coal and Steel Community:

'The Council shall, acting unanimously on a proposal from the High Authority and with the assent of the Assembly:

(a) make financial regulations specifying in particular the procedure to be adopted for establishing and implementing the administrative budget, and for presenting and auditing accounts,

(b) lay down rules concerning the responsibility of authorizing officers and accounting officers and concerning appropriate arrangements for inspection.'

Chapter V

Final provisions

Article 19

The terms of office of the members of the Audit Board of the European Communities shall expire upon the date of appointment of the members of the Court of Auditors of the European Communities. The members of the

Court of Auditors shall be appointed upon the entry into force of this Treaty.

The Council, acting unanimously, shall settle the financial arrangements for those members of the Audit Board who, their terms of office having expired pursuant to the preceding subparagraph, are not appointed members of the Court of Auditors.

Article 20

This Treaty shall be ratified by the High Contracting Parties in accordance with their respective constitutional requirements. The instruments of ratification shall be deposited with the Government of the Italian Republic.

Article 21

This Treaty shall enter into force on the first day of the month following the deposit of the instrument of ratification by the last signatory State to take this step.

If this Treaty enters into force during the budgetary procedure, the Council shall, after consulting the Commission, lay down the measures required in order to facilitate the application of this Treaty to the remainder of the budgetary procedure.

Article 22

This Treaty, drawn up in a single original in the Danish, Dutch, English, French, German, Irish and Italian languages, all seven texts being equally authentic, will be deposited in the archives of the Government of the Italian Republic, which will transmit a certified copy to each of the Governments of the other signatory States.

In witness whereof, the undersigned Plenipotentiaries have affixed their signatures below this Treaty.