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EUROPEAN PARLIAMENT

Working Documents

1980 - 1981

25 JUNE 1980

DOCUMENT 1-278/80

REPORT
drawn up on behalf of the Committee on Budgets

in application of Article 204 of the EEC Treaty
and Article 8 of the Financial Regulation
authorizing further provisional twelfths for
the EAGGF Guarantee Section (Doc. 1-241/80)

Rapporteur : Mr Pieter DANKERT

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This report is submitted pursuant to Article 204 of the Treaty and Article 8 of the Financial Regulation, and embodies the proposed decision of the European Parliament for the granting of extra provisional twelfths, under Section III 'Commission' of the general budget of the European Communities.

At its meeting of 24 June 1980 the Committee on Budgets examined the proposal submitted to it by Mr Pieter DANKERT, rapporteur for Section III of the draft general budget.

It approved the proposal to grant extra provisional twelfths for the EAGGF Guarantee Section unanimously

There were present: Mr Lange, Chairman; Mr Notenboom, first Vice-Chairman; Mr Dankert, rapporteur; Mr Adonnino, Mr Arndt, Mr Baillot, Mr Barbi, Mr Bonde, Mr Colla, Mr Flanagan, Mr Forth, Mr Gouthier, Mrs Hoff, Mr Hord, Mr Robert Jackson, Mrs Kellett-Bowman (deputizing for Mr Tuckman), Mr Langes, Mr Lega, Mr Megahy (deputizing for Mr O'Leary), Lord O'Hagan, Mr Orlandi, Mrs Pruvot (deputizing for Mr Nord), Mr K. Schön, Mrs Scrivener, Mr Simonnet and Mr J. M. Taylor.

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A

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

in application of Article 204 of the EEC Treaty and Article 8 of the Financial Regulation (requests for further provisional twelfths) for the EAGGF Guarantee Section

The European Parliament,

- having regard to Article 204 of the EEC Treaty,
 - having regard to Article 8 of the Financial Regulation of 21 December 1977,
 - having regard to the rejection of the draft 1980 budget in its entirety on 13 December 1979,
 - having regard to the Communication from the Commission to the Parliament and to Council entitled 'The situation of the EAGGF Guarantee Section in the continued absence of a budget', ⁽¹⁾
 - having regard to the Council decision of 9 June 1980 authorising expenditure exceeding the twelfths for the EAGGF Guarantee section (Doc. 241/80),
 - having regard to the report of its Committee on Budgets (Doc. 1-278/80),
- (a) aware of the factors causing further growth in agricultural expenditure beyond the limits of one-twelfth of the previous year's expenditure made available on a monthly basis to the Commission,
 - (b) aware of the need for a strict and coherent application of the one-twelfth system which does not envisage the possibility of transferring appropriations from chapter to chapter,
1. Approves the further provisional twelfths requested by the Commission for the following chapters:

⁽¹⁾ COM (80) 241 final.

mEUA			
Sector	Chapter	Number of twelfths	Amount
Cereals	60	-	-
Rice	61	two twelfths	7.2
Milk	62	one twelfth	374.3
Oils and fats	63	-	-
Sugar	64	-	-
Beef and veal	65	two twelfths	124.6
Pigmeat	66	five twelfths	32.0
Eggs and poultry	67	three twelfths	16.5
Fruit and vegetables	68	five twelfths	184.0
Wine	69	five twelfths	25.5
Tobacco	70	four twelfths	75.2
Other sectors	73	-	-
Products not in Annex II	74	-	-
MCAs and ACAs	75 & 78	three twelfths	94.5
Fisheries	88	two twelfths	2.8

2. Notes that, as regards eggs and poultry, fruit and vegetables, pigmeat, wine, monetary and accession compensatory amounts, the Council has not followed the Commission's proposals in their entirety and has departed from these proposals without providing any justification;
3. Insists that the Council should provide it with a full statement explaining why it has departed from the Commission's proposals;
4. Insists that in future the Commission should provide a full justification by sector for each request for extra twelfths;
5. Requests that the Commission provides on a monthly basis the figures for the global advances made to Member States under the EAGGF Guarantee Section for the Committee on Budgets, Budgetary Control and Agriculture; believes such information to be an indispensable instrument for monitoring the implementation of the budget, signalling difficulties under the one-twelfths system and preparing the decisions of the Budgetary Authority for the next budgetary procedure;

6. Insists that the Commission should continue to provide the Committees on Budgets, Budgetary Control and Agriculture with details of the economy measures taken so that appropriate measures for the future may be explored;
7. Cannot approve the transfers proposed by the Commission because no provision exists in the Financial Regulation for transfers under the one-twelfths system;
8. Asks its Committee on Budgetary Control to pay particular attention to this aspect when examining whether or not to grant a discharge to the Commission with respect to the 1980 financial year.

B

EXPLANATORY STATEMENT

1. As the Commission indicates in its document ⁽¹⁾ the level of advances already made in the first five months of 1980 indicated the likely exceeding of the one-twelfths for certain sectors of the EAGGF and most notably for the milk, beef and veal, pigmeat, eggs and poultry, fruit and vegetables, wine and tobacco sectors. Your rapporteur takes the view that even at the stage of advances the Commission should have come forward with demands for extra twelfths were the advances to exceed the one-twelfth of payments for the following reasons:

- (i) EAGGF Guarantee expenditure is non-dissociated: commitments are not a separate element;
- (ii) advances can not be assimilated to commitments in the ordinary sense because commitments exist to finance multi-annual activities;
- (iii) advances lead automatically to payments with only two or three months delay.

2. This point of view seemed to be shared by the Commissioner responsible for agriculture for a while; but his decision was subsequently overturned. The Council at any rate takes the view that the reference to global commitments under the special title of the Financial Regulation of 21 December 1977 makes it possible for advances to be paid under the provisions governing extra provisional twelfths for commitments (i.e. in the first month up to three months expenditure).

3. The Commission further takes the view that transfers between chapters are permissible under the one-twelfths system. It has even submitted a paper to the Committee on Budgets to this effect. ⁽²⁾ The Committee on Budgets has not shared this view because it believes that the absence in the Financial Regulation of any reference to the possibility of making such transfers under the one-twelfths system is conclusive. The one-twelfths system was intended to be a neutral and provisional arrangement: the selecting of the chapter on the basis of which it should operate indicates that no decision to change the amount available under each chapter should intervene before the adoption of a new budget.

⁽¹⁾ COM (80) 241 final.

⁽²⁾ Notice to Members 21/80, PE 65.860.

4. On 8 May 1980 the Commission came forward with a document describing the situation under the EAGGF in the absence of a budget. ⁽¹⁾ This document concluded that while it had been able to make certain economies of an unspecified nature it was necessary now, because of the level of advances, to strengthen appropriations available for various chapters.

5. As regards the requests for extra twelfths, the Commission made the following proposals:

mEUA			
Sector	Chapter	Number of twelfths	Amount
Cereals	60	-	-
Rice	61	two twelfths	7.2
Milk	62	one twelfth	374.3
Oils and fats	63	-	-
Sugar	64	-	-
Beef and veal	65	two twelfths	124.6
Pigmeat	66	five twelfths ⁽¹⁾	32.0
Eggs and poultry	67	three twelfths	16.5
Fruit and vegetables	68	five twelfths ⁽¹⁾	184.0
Wine	69	five twelfths ⁽¹⁾	25.5
Tobacco	70	four twelfths	75.2
Other sectors	73	-	-
Products not in Annex II	74	-	-
MCA's and ACA's	75 & 78	three twelfths	94.5
Fisheries	88	two twelfths	2.8

⁽¹⁾ All the twelfths still available after 1 May must be authorized for these three sectors.

6. Furthermore, it requested the following transfers:

from Chapter 60	Cereals	- 54.3 mEUA
from Chapter 64	Sugar	- 30 mEUA
to Chapter 68	Fruit and vegetables	+ 48.8 mEUA
to Chapter 69	Wine	+ 35.5 mEUA

These changes were necessitated in the Commission's view because of the imminent exhaustion of the twelfth twelfth for fruit and vegetables and for wine where a major increase in appropriations was manifest.

⁽¹⁾ COM (80) 241 final.

Council's decision of 9 June 1980

7. Under its decision of 9 June 1980 Council approved the following extra amounts to be made available under the one-twelfth system:

	<u>in mEUA</u>	<u>Number of twelfths</u>
Chapter 60 Cereals	-	-
Chapter 61 Rice	7.2	two twelfths
Chapter 62 Milk and milk products	374.3	one twelfth
Chapter 63 Oils and fats	-	-
Chapter 64 Sugar	-	-
Chapter 65 Beef and veal	124.6	two twelfths
Chapter 66 Pigmeat	8.7	one-twelfth not five-twelfths sought
Chapter 67 Eggs and poultry	6.6	three-twelfths sought one twelfth = 5.5
Chapter 68 Fruit and vegetables	147.2	four-twelfths five-twelfths = 184
Chapter 69 Wine	20.4	four twelfths five twelfths = 25.5
Chapter 70 Tobacco	75.2	four-twelfths
Chapter 72 Alcohol	-	-
Chapter 73 Other sectors	-	-
Chapter 74 Products not in Annex II	-	-
Chapter 75 MCAs	-	} three-twelfths sought
Chapter 78 MCAs	-	
Chapter 88 Fisheries	2.8	two-twelfths
<u>Total:</u>	<u>767.0</u>	

8. As regards transfers the Council had seemed previously to take the view that transfers were not permissible under the one-twelfths system. However, Article 2 of the decision, which reads as follows:

"For the purposes of the chargings prescribed in Article 97 of the Financial Regulation, the Commission shall, depending on requirements and provided that the total amount of resources available for the EAGGF Guarantee Section under the system of provisional twelfths, taking into account the expenditure authorised under Article 1, is complied with, effect the necessary adjustments between Chapters arising from the implementation of the regulations relating to the sectors in question."

seems to indicate, despite its ambiguity, that the Commission should have a delegated right to make transfers ("adjustments") where necessary.

Commentary of the Committee on Budgets

9. The Committee on Budgets

- (i) adheres to the view that advances can not be assimilated with commitments of a pluriannual nature because advances automatically give rise to payments within the space of a few months. Therefore advances in excess of one-twelfth of the payments presuppose and prejudice the rights of the Budgetary Authority to refuse extra provisional twelfths for payments subsequently;
- (ii) reiterates its view that transfers between chapters cannot take place under the one-twelfth system;
- (iii) notes that the Council has not in any way explained why it has altered the Commission's original proposals for extra twelfths;
- (iv) therefore approves the extra twelfths for the various chapters sought by the Commission and listed in the motion for a resolution;
- (v) cannot accept, however, the Commission's proposals for transfers between various chapters nor the principle of delegating to the Commission the right to make such transfers unilaterally without specific approval from the Budgetary Authority;
- (vi) warns the Commission not to proceed to such unilateral action and reminds it of the scrutiny that its management of the one-twelfth system will be submitted to during the 1980 discharge procedure;
- (vii) demands that the Commission continue to supply to the appropriate Parliamentary committees a full information of the implementation of the one-twelfths system on a monthly basis, and on the implementation of the budget when adopted;
- (viii) insists that the Commission provide it with the fullest possible information of the economy measures that it has been able to implement in order to avoid the exceeding of the one-twelfths in various sectors.

