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COMMUNICATION FROM THE COMMISSION TO THE BUDGETARY AUTHORITY
ON THE FUTURE DEVELOPMENT OF MINI-BUDGETS

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1. In its communication of 24 July 1990⁽¹⁾, the Commission informed the Budgetary Authority of the role and extent of mini-budgets, and of the arrangements for their internal management in accordance with the rules adopted by the Commission on 22 May 1990. The Budget Council of 27 July accepted the principle of mini-budgets and took note of the Commission's measures.

The Council nevertheless adopted a statement asking for a Commission proposal on mini-budgets in the 1992 budget, and decided provisionally for 1991 to put the mini-budgets from title A-3 into a new title A-4, and to create a new sub-section B8 with 29 new chapters for the mini-budgets from part B of the budget. At the same time, the Council deleted the mini-budget commentaries, proposed by the Commission for the operational lines listed in the Commission's table.

Separate treatment was applied to Research and to the Structural Funds. Research mini-budgets were not put in sub-section B8, as the Council considered them to be already covered by the specific provisions of the Financial Regulation.

The mini-budgets for the Structural Funds are also excluded from the new sub-section as the Council seems to consider that the budget lines B2-410-412, which comprise mini-budgets and the existing provisions of the Structural Funds Regulation⁽²⁾ are sufficient.

As a result of the total cuts by the Council, mini-budgets in the 1991 draft budget amount now to 208.382 Mio ECU.

2. The Council's position will have no immediate impact on 1990, because the Commission will still apply its internal rules including the contribution from the mini-budgets to infrastructure expenditure. Furthermore, the Commission is making an additional effort to improve its internal management of mini-budgets, in order to demonstrate the value of the system for increasing the transparency of the procedures.
3. For 1991, however, the Council dealt with the instrument of mini-budgets in a way that could jeopardize their rationale and flexibility, even though it expressed itself in favour of the principle of mini-budgets. By ignoring the Commission's new internal management of mini-budgets, the Council not only prevented its being tested but also diminished the transparency of mini-budgets as accompanying measures to operational credits thus preventing the unity of decision-making on the policy actions in question.

The Council's position complicates the budgetary procedure as the Budgetary Authority will have to decide on an additional 139 lines, whose place within the budget is a random one and totally against the logic of the new nomenclature. Furthermore, due to

(2) Art. 4(3), 5(2e) and 6(1), of regulation (CEE) No. 2052/88 of 24 June 1988.

the separation of budget articles and posts between operational appropriations and supporting expenditure the Budgetary Authority must fix independently the amount of the operational policies and the credits for their execution in spite of the fact that supporting appropriations are solely justified by the operational programmes to which they refer. The lack of uniformity in decisions on Community policy actions will inevitably produce inconsistent results.

Furthermore, there is no guarantee that the quantitative split between the operational and the accompanying administrative expenditure as it may be adopted in the 1991 budget, which is based on first estimates for internal Commission purposes, will coincide with actual needs. Even for politically insignificant substitutions between the two types of expenditure, such as between intra-muros experts and outside studies, the Commission itself will have lost all discretion to decide internal transfers. Thus, the Budgetary Authority will be confronted with a large number of additional transfers mainly between sub-section B8 and the other sub-sections of part B, which will affect only the policy concerned. These decisions will involve the Budgetary Authority more and more in the Commission's day-to-day management while the Commission will lose its administrative autonomy, provoking serious delays in the execution of the policies and the budget lines in question.

These difficulties will be aggravated by the fact that all budget lines in title A-4 and sub-section B8 comprise non-differentiated appropriations, which is not the case for the corresponding budget lines with operational expenditure. This clearly follows the non-differentiated character of administrative appropriations, but at the same time any simple transfers between differentiated operational expenditure and non-differentiated supporting credits for the same policy will be possible only if the overall equilibrium between appropriations for commitments and payments is respected. Hence, situations may arise where Community policies cannot be carried out, even if operational credits out of the corresponding line are available but not transferable. In any case, the mixing of differentiated and non-differentiated expenditure in the operational sectors of the budget is contrary to the opinion of the Court of Auditors⁽¹⁾.

Furthermore, part of the payments for the 1991 mini-budget expenditure will be made in 1992. Where the operational line was on differentiated appropriations, these amounts have to be taken into account in the preliminary draft budget. By establishing the new mini-budgets in title A-4 and sub-section B8 only with non-differentiated appropriations, i.e. with the same amounts of commitments and payments, a sudden shortage of payment appropriations on the operational lines occurs. If this systematic underestimation of payments in the Council's draft budget has not been corrected, the execution of the policies concerned would be jeopardized.

The introduction of separate lines on non-differentiated appropriations which need to be followed in a separate system of accounts, would greatly complicate the accounting procedure. More

(1) Opinion No 1/88 - paragraph 4.1. - O.J. C 72 dated 20.03.89.

generally, the execution of different sub-sections of operational expenditure and accompanying measures will be made more difficult as policy measures and their financial impact will no longer be in parallel. Numerous commitments and payments will have to be split between different chapters and the time and the cost of budget execution will increase.

An additional inconsistency due to the Council decision will arise for the Structural Funds and for research. By deleting the Structural Funds mini-budgets, the Council has contradicted its own Structural Funds regulation which foresees typical mini-budget-measures as an integral part of the three funds, for example under Article 7 of the Regional Fund regulation. This deletion evidently cannot stop the carrying-out of these measures but hinders the provision of information to the Budgetary Authority on their extent. Secondly, it leads to an undervaluation of the total figure of all mini-budget-measures as set out in the Commission's communication mentioned-above.

On the other hand, with regard to RDT, the desired transparency is guaranteed by the correspondences table which is laid down by the Financial Regulation and is repeated in Annex 1 of the budget; in accordance with the mini-budgets rules, for 1991 this table uses the same budget line nomenclature as the mini-budgets. With regard to the non-statutory man/year intra-muros of sub-section B6 Research, the deletion of the table on mini-budgets will deprive the Budgetary Authority of the transparency which the Commission had planned.

4. In view of all drawbacks created by the Council's decision, which would endanger the functioning of many Community policies during 1991, the Commission emphasizes the need to replace the transitional solution by a stable one from 1991 and not in 1992 as the Council has envisaged.

In order to meet on the one hand the Budgetary Authority's concern for closer control of the mini-budgets and on the other hand the need for flexibility and clarity, a threefold solution could be adopted in budgetary terms :

- the commentaries of the budget lines including mini-budgets should be enlarged in the way the Council proposed for the new title A-4 and sub-section B8, providing the total amount of the mini-budget and its indicative split;
- the operational budget lines and the corresponding line for accompanying and supporting expenditure should be reunified;
- In order to provide an overall view on the mini-budgets, the table of lines including mini-budgets, as attached to the Communication of the Commission of 24 July quoted above, should form an annex of the budget, to be decided by the Budgetary Authority.

A somewhat modified alternative could be considered also by adding a sub-line with the mini-budget commentary within the same chapter of each corresponding operational line. Taken the promotion and development of multilingual activities as an example this split between operational and accompanying credits could be presented as follows:

CHAPTER B5-50 Information and Innovation market

		Credits 1991	
		Engagements	Payments
.		.	.
.		.	.
.		.	.
B5-501	Promotion and development of multilingual activities	4.767.000	4.767.000
B5-5011	Accompanying expenditure for the promotion and development of multilingual activities	733.000	733.000
Total of article B5-501		5.500.000	5.500.000
.		.	.
.		.	.
.		.	.
Total of Chapter B5-50		41.500.000	39.500.000

Although this option avoids the fragmentation of decision-making by the Budgetary Authority between different sub-sections of the budget, the problem of transfers between differentiated and non-differentiated appropriations as well as the systematic lack of payment appropriations would continue. This solution would also imply a complete change on the nomenclature since new lines have to be fitted on the existing framework.

As the Council did not have research in view in the new heading A-4 and sub-section B8, it is appropriate to maintain the provisions in the form in which they were proposed by the Commission in its PDB and were approved by the Council.

- Hence, the Commission would prefer the first threefold solution also in the framework of the 1992 preliminary draft budget, in order to enable the Budgetary Authority to decide on the amounts of the mini-budgets and to be informed regularly on their execution. By this "budgetization" of the Commission's internal management of mini-budgets, the wish of the Parliament and the Council for transparency as well as the Commission's need for flexibility between expenditures for intervention and for accompanying measures could be achieved.