

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1984-1985

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11 March 1985

DOCUMENT 2-1783/84/ANNEX

ANNEX

to the report by Mr F. PISONI

drawn up on behalf of the Committee on Agriculture,  
Fisheries and Food

- OPINION OF THE COMMITTEE ON BUDGETS -

Draftsman: Mr CHRISTODOULOU



O P I N I O N

(Rule 101 of the Rules of Procedure)  
of the Committee on Budgets

Draftsman: Mr CHRISTODOULOU

At its meeting of 23 January 1985, the Committee on Budgets appointed Mr CHRISTODOULOU draftsman of the opinion.

The committee considered the draft opinion at its meeting of 27 and 28 February 1985. On 28 February 1985, it adopted the conclusions unanimously.

The following took part in the vote: Mr COT, chairman; Mr RYAN, vice-chairman; Mr CHRISTODOULOU, draftsman; Mr ARNDT, Mr BARDONG, Mr DANKERT, Mr de VRIES, Mrs FUILLET, Mr LOUWES, Mr PFENNIG and Mr SAKELLARIOU (deputizing for Mr RIGO).

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1. Regulation No. 729/70 on the financing of the common agricultural policy lays down a number of financial rules to govern assistance under the EAGGF Guidance Section. Most notably, it introduced a twofold mechanism for the fixing of expenditure by regulation:

- the Council determines the estimated cost of each common measure and its likely duration (Article 6(2));
- the total amount of financial assistance which may be charged to the Fund is fixed for five-year periods by the Council; this total allocation is repeated for the following period unless the Council has fixed a new allocation prior to the expiry of the current five-year period (Article 6(5)).

2. The Commission proposals under consideration relate to the application of both of these two rules:

- (1) the fixing of the amount chargeable to the EAGGF Guidance Section: the previous five-year period expired on 31 December 1984
- (2) the estimated cost of Regulation No. 355/77 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed.

I. The fixing of the amount chargeable to the EAGGF Guidance Section

3. To take account of subsequent developments in interinstitutional relations (joint declaration of 30 June 1982), the Commission is proposing to scrap the five-year allocation for the EAGGF Guidance Section. However, even in the absence of a regulatory framework, it still provides a multi-annual financial estimate for the period 1985-1989.

A. Scrapping of the five-year allocation

4. To ensure that the five-year allocation for 1980-1984 is not renewed for the period 1985-1989, the Commission proposes to amend Regulation No. 729/70 by removing its financial provisions:

- (a) Article 6(5) concerning the fixing of the five-year allocation
- (b) Articles 6a, 6b and 6c laying down in particular certain restrictive provisions with respect to the carry-over of amounts from one period to the next:
  - the amounts earmarked for a given period which have not been entered in the budget in the course of that period may not be entered in the budget during the next period;
  - the appropriations entered in the budget which remain available at the close of a given period shall be deducted from the amount of financial assistance payable in the following five-year period.

The effect of these provisions is twofold: firstly, amounts not entered in the budget are lost altogether and secondly the unused appropriations reduce the five-year allocation for the next period; the Commission is proposing that they be removed.

5. The Commission believes that the five-year allocation has to be scrapped for legal and practical reasons. Namely:
- under Article 203 of the EEC Treaty, the European Parliament has total discretion in determining the volume of non-compulsory expenditure. The fixing of an allocation in advance, in respect of a five-year period, is therefore incompatible with the provisions of the Treaties. Indeed, the joint declaration of 30 June 1982 explicitly states that: 'In order that the full importance of the budget procedure may be preserved, the fixing of maximum amounts by regulation must be avoided'. It follows that the financial provisions laid down in Regulation No. 729/70 must be revised;
  - with regard to compulsory expenditure, the Commission takes the view that since it is to be made unrestrictedly available, subject to eligibility, its amount could not be determined in advance; it would therefore be pointless to fix a five-year allocation.
6. The Committee on Budgets can only applaud the scrapping of the five-year allocation, which, fixed as it is by regulation, serves to diminish the powers conferred on the budgetary authority by the Treaties. Indeed, this was the view which Parliament expressed when the first five-year allocation was fixed for the period beginning in 1980<sup>1</sup>. Disagreeing with the Commission's proposal, Parliament confirmed 'its opposition to a ceiling being placed by regulation on the appropriations of the EAGGF, Guidance Section'. This position clearly needs to be reaffirmed, bearing in mind how relations between the two arms of the budgetary authority have developed, with the Council apparently determined to impose its own rules on budget discipline whereby a financial framework would be laid down outside the control of Parliament.
7. The committee cannot entirely agree with the Commission's line of argument, which assumes that the EAGGF Guidance Section contains a certain portion of compulsory expenditure. When the proposed reform of the Fund was being considered, the Committee on Budgets pointed out that the Commission's criterion for classifying expenditure as compulsory was not an appropriate one: the Commission took the view that the expenditure had to continue to be treated as compulsory, to ensure that the efficient use of the funds in question was not hampered by doubts as to their availability.

To base the classification of an item of expenditure on the unpredictable nature of the European Parliament's decisions is patently not a correct approach to the matter. Indeed, detailed analysis of the Commission's proposals shows that there is genuine scope for discretion in the evaluation of expenditure. The Committee on Budgets thus established that the planned expenditure was non-compulsory. This view was no more than the logical conclusion of the discussions which led to the agreement of 30 June 1982.

<sup>1</sup> Resolution contained in the Früh report of December 1978 (OJ No. C 6, 8.1.1979)

Although the relationship which the Commission attempts to establish between the classification of expenditure and its likely availability cannot be accepted, a multi-annual estimate of expenditure does seem necessary, given that the measures concerned are of a structural and long-term nature. This is what the Commission sets out to provide in the second part of its document.

B. Multi-annual estimate of expenditure

8. The five-year allocation for the EAGGF Guidance Section for the period 1980-1984 was fixed at 3,775 million ECU. For the next period (1985-1989), the Commission estimates expenditure at 5,920 million ECU, i.e. an increase of 7.25% in real terms according to the Commission's calculations. This estimate is markedly lower than that submitted by the Commission when the new regulations to be introduced were being considered<sup>1</sup>.

	<u>Initial proposals</u>	<u>Current proposals</u>
Efficiency of agricultural structures <sup>1,2</sup>	3,411	2,110
Processing and marketing	1,800	1,443
Wine sector <sup>2</sup>	748	740

<sup>1</sup>including regional measures (Article 18 of the 'efficiency' regulation)

<sup>2</sup>for the period 1986-1989

As far as the wine sector regulations are concerned, the Commission's financial estimates correspond broadly to the figures indicated in the initial proposals for regulations. However, the estimates for the 'efficiency' regulation and Regulation No. 355/77 on processing and marketing have been sharply cut. The Commission has in fact revised its estimates downwards to take account of the discussions that are continuing in the Council. Although these proposals have been pending before it for several months and the European Parliament's opinion has been available since 13 April 1984<sup>2</sup>, the Council has proved unable to reach agreement on several points, in particular the financial aspect. The Finance Ministers and the Ministers for Agriculture, meeting jointly in Council, are due in principle to resolve this question at the end of February.

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<sup>1</sup>Efficiency of agricultural structures, marketing of agricultural products (Doc. 1-1000/83), wine market (COM(84) 515 final)

<sup>2</sup>Bocklet, Provan and Vitale reports, OJ No. C 127, 14.5.1984

9. The developments in the discussions within the Council prompt the following two general remarks:

- firstly, the determination, even for the purposes of forecasting, of the expenditure to be effected during the next five-year period is not without implications for the budget: the Commission states clearly that it will take account of this financial estimate when submitting its preliminary draft budgets; the Member States may use these quantitative indications when devising the national programmes to be introduced in implementation of Community rules. On the basis of an unofficial agreement between the Commission and Council to which Parliament is not party, the Commission is in effect setting the financial limits governing the implementation of the agricultural structures policy.
- Secondly, the decisive role played by the Council of Finance Ministers in the preparation of the regulations gives grounds to suppose that what is merely an estimate in the Commission's proposal will ultimately be taken by the Council as the basis for financial planning in accordance with the existing rules of the EAGGF Guidance Section and in line with the plans for budget discipline which the Council intends to impose.

10. The Committee on Budgets accordingly

- approves the Commission's proposals to the extent that they debar the fixing by regulation of a five-year allocation for the EAGGF Guidance Section;
- notes that the financial estimate supplied by the Commission has been revised downwards in relation to the initial estimates and is thus only a minimum estimate of requirements; points out that economic convergence, vital to the completion of the internal market, is not possible without a special effort to develop rural areas;
- points out that the fixing of annual appropriations falls exclusively within the competence of the budgetary authority and, since this is non-compulsory expenditure, the European Parliament;
- warns the Council against any attempt to return to the previous system in order to establish a five-year financial ceiling a priori and with irreversible effect;
- requests the opening of the conciliation procedure should the Council decide to depart from the Commission's proposals.

## II. Estimated cost of the 'processing and marketing' regulation

11. The substance of Regulation No. 355/77 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed has already been amended<sup>1</sup> after consultation of the European Parliament<sup>2</sup>. Because the Council was unable on that occasion to agree on the determination of the estimated cost, the Commission is submitting an additional proposal on this particular point.

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<sup>1</sup> Regulation No. 1932/84 of 19 June 1984, OJ No. L 180, 7.7.1984

<sup>2</sup> Resolution contained in the Vitale report, OJ No. C 127, 14.5.1984

12. The Commission estimates, for guidance only, the cost of these common measures at 1,443 million ECU for the period 1985-1989, i.e. 242.5 million ECU for 1985 and 300 million ECU for each of the subsequent years. These figures have been cut by comparison with the Commission's initial proposal:

	1985	1986	1987	1988	1989	Total
Initial proposal	360	360	360	360	360	1,800
Amending proposal	243	300	300	300	300	1,443

13. The reduction in the amounts to be devoted to these common measures shows once again that the determination of the estimated cost of a measure is not just a formality but is one of the central points in the dialogue between the Council and the Commission. It is also evident that:

- the Commission is not proposing to remove the provision of Regulation No. 729/70 imposing an obligation on the Council to fix the estimated cost of the measures by regulation;
- the Commission is on the contrary going even further by introducing a multi-annual schedule of commitments into the regulation;
- this attitude is inconsistent with the arguments put forward by the Commission in the first part of its document, because the expenditure concerned has been recognized by the three institutions as non-compulsory expenditure.

14. The Committee on Budgets accordingly

- takes note of the cost estimate put forward by the Commission;
- points out that the fixing of annual appropriations falls exclusively within the competence of the budgetary authority and should not be dealt with, even for guidance, in a regulation;
- amends to that effect Article 1 of the Commission's proposal (see Annex).



AMENDMENT

to the proposal for a Council regulation (EEC) No. amending Regulation (EEC) No. 355/77 on common measures to improve the conditions under which agricultural and fishery products are processed and marketed

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Text proposed by the Commission

Amendment proposed by the Committee  
on Budgets

Article 1

Article 1

Regulation (EEC) No. 355/77 is hereby amended as follows:

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The last subparagraph of Article 16(3) is replaced by the following:

The last subparagraph of Article 16(3) is replaced by the following:

'The estimated cost of the common measures chargeable to the Fund for the period from 1 January 1985 to 31 December 1989 is 1,442.5 million ECU, i.e. an estimated cost of 242.5 million ECU in 1985 and 300 million ECU per year in subsequent years. These amounts are for guidance only.'

'The estimated cost of the common measures chargeable to the Fund for the period from 1 January 1985 to 31 December 1989 is 1,442.5 million ECU. The annual amount of appropriations shall be fixed by the budgetary procedure'.

