



European Communities

**EUROPEAN PARLIAMENT**

# **WORKING DOCUMENTS**

English Edition

~~1081-85~~

1 October 1985

SERIES A

DOCUMENT A 2-107/85

## **INTERIM REPORT**

drawn up on behalf of the Committee on Budgets

on Article 4 of the decision of 7 May 1985 on new  
own resources concerning the financing of supplementary  
research programmes

Rapporteur: Mrs C. BARBARELLA



By letter of 9 July 1985 the Committee on Budgets requested authorization to draw up an interim report on Article 4 of the decision of 7 May 1985 on the system of own resources, and on the financing of supplementary research programmes.

The Bureau authorized the Committee on Budgets to draw up a report on this matter at its meeting on 1 October 1985.

At its meeting on 20 June 1985 the Committee on Budgets appointed Mrs Barbarella rapporteur.

At its meeting of 25/26 September 1985 the Committee on Budgets considered the draft report and adopted the motion for a resolution as a whole on 26 September 1985 by 20 votes to 5 with one abstention.

Present: Mr COT, chairman, Mrs BARBARELLA (vice-chairman and rapporteur), Sir James SCOTT-HOPKINS (vice-chairman), Mr ABENS, Mr ADAM (deputizing for Mr DANKERT), Mr ALAVANOS, (deputizing for Mrs BOSERUP), Mr ARNDT, Mr BARDONG, Sir Fred CATHERWOOD, Mr CHRISTODOULOU, Mr CURRY, Mr DALSSASS (deputizing for Mr CHIUSANO), Mr James ELLES, Mr FICH, Mr GATTI (deputizing for Mr SPINELLI), Mr GRIFFITH (deputizing for Mr RIGO), Mrs FUILLET, Ms QUIN (deputizing for Mrs HOFF), Mr LANGES, Mr LOUWES, Mr PASTY, Mr PITT, Mr PFENNIG, Mr ROSSI (deputizing for Mr CHAMBEIRON), Mrs SCRIVENER, Mr TOMLINSON and Mr VON DER VRING.

The report was tabled on 27 September 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda of the part-session at which it is considered.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	4
B. EXPLANATORY STATEMENT .....	6

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

A

MOTION FOR A RESOLUTION

on Article 4 of the decision of 7 May 1985 on the system of own resources, and on the financing of supplementary research programmes

The European Parliament,

- having regard to the Council Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources (OJ No. L 94, 28.4.1970),
  - having regard to the Council Decision of 7 May 1985 on the Communities' system of own resources (OJ No. L 128, 14.5.1985, p. 15) replacing the earlier decision of 21 April 1970,
  - having regard to the interim report of the Committee on Budgets (Doc. A 2-107/85),
- A. whereas, pending the resumption of negotiations on new own resources, the Community must review all its financial instruments, with a view first and foremost to augmenting its financial and budget resources,
- B. whereas, under Article 4 of the decision of 7 May 1985 on new own resources, expenditure relating to supplementary research programmes funded by contributions from the Member States, set in accordance with a special scale, may be entered in the budget of the Communities, thereby affording an additional possibility for the financing of research activities,
- C. believing that, because it is in Europe's most vital interest to improve its industrial and technological cooperation as quickly as possible, national financial contributions may be accepted, notwithstanding its continuing reservations in principle with respect to the nature of this type of funding,
- D. pointing out that research activities for which national financial contributions are required are to be regarded as complementary to Community activities financed from own resources,
1. Believes that supplementary programmes, in effect a financial instrument, may help to set in motion, at European level, practical cooperation initiatives in the field of growth technologies;
  2. Considers the complementary status of these programmes to be an important factor, since it may advance the integration of the research efforts currently being pursued at different levels: Community, Member States, industry and other partners;
  3. Points out that these provisions for complementary activities will encourage the introduction of flexible forms of cooperation;

4. Takes the view on the other hand that the article under consideration in this report can provide a suitable integrating framework, guaranteeing convergence, as has recently been called for by the Council of Ministers, between Community measures and the programmes that may be undertaken at other levels in the Member States;
5. Calls on the Council, in collaboration with the Commission and Parliament, to devise a global strategy as soon as possible, setting out all the objectives of and priorities for European technological cooperation which might be pursued by supplementary research programmes involving the participation, to a greater or lesser degree, of the Communities, the Member States, industry and other partners;
6. Insists that the programmes to be decided on in the context of the ad hoc EUREKA committee's work must be integrated in this Community strategy and financed in accordance with the said Article 4;
7. Calls on the Commission to submit to the Council and Parliament a proposal for a regulation laying down implementing procedures in respect of Article 4, especially as regards:
  - the meaning and scope of the concept of 'supplementary programmes';
  - the various degrees of cooperation between the Community, the Member States, industry and other partners;
  - the variability of financial contributions from all or certain Member States;
  - the option for individual Member States to join research programmes at an advanced stage;
  - the graduation of Community financial contributions according to the type or stage of the research;
  - the diversification of Community financing mechanisms;
  - the dissemination of research findings at Community level;
7. Instructs its Committee on Budgets to examine the possibilities for strengthening Community financial instruments, in order to provide guaranteed sources of finance for the structural policies, above and beyond the own resources currently available within the 1.4% VAT ceiling;
8. Requests the Commission to adapt its decision-making machinery and operational structures in such a way as to achieve the flexibility and efficiency necessary for technological cooperation;
9. Instructs its Committee on Budgets to continue with its examination of matters arising from the implementation of the decision of 7 May 1985 and other financial instruments that may strengthen cooperation in this field; hopes that cooperation on this matter will be established with the competent bodies within the national parliaments;
10. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTIntroduction

1. This report deals with the application of Article 4 of the new decision on own resources. That article opens up an additional financing option for research activities, i.e. from national contributions and stipulates that expenditure relating to supplementary research programmes financed by contributions from the Member States on the basis of an ad hoc scale should be entered in the Community budget.

In order to assess the scope of this article and to define how it should be applied, it is necessary to establish, insofar as it involves supplementary financing:

- A. The general framework in which it is to be applied,
- B. The link between such financing and the other resources available,
- C. Whether implementing rules are necessary.

2. This report, which at this stage can only be an interim report, submits a series of observations and questions to the Committee on Budgets with regard to these points.

A. GENERAL FRAMEWORK

3. In view of the seriousness of the political crisis in Community Europe and the need to make up the lost ground in the sphere of technology as quickly as possible, no option liable to contribute in a practical way to stimulating useful cooperation in the field of the new technologies should be overlooked. Therefore, at a time when European industrial cooperation is experiencing great difficulty in getting off the ground, a financial instrument such as that proposed by Article 4 may well be considered useful. The adoption of such a view does not of course mean dropping all reservations of principle with regard to the nature of the financing. It would have been desirable for national contributions to disappear completely from the Community's budget. However, given that at the present time the achievement of a process of technological cooperation is a matter of the highest priority for Europe, it is acceptable to have recourse even to national contributions insofar as they are liable to contribute to the launching of practical cooperation initiatives.

However, the option of invoking this article implies a need to define certain general conditions. Since the purpose of the arrangement is the financing of supplementary research programmes from national contributions, the problem is to determine the framework in which this idea of 'supplementarity' (or complementarity) can become operational.

4. In this connection, without prejudice to the competence of the other working committees and the results of their deliberations, it would seem necessary to emphasize three points:

- (a) If technological progress is a strategic factor, Europe must be in a position to dominate it comprehensively and as swiftly as possible. The response to the technological challenge cannot be confined to encouraging a few initiatives, even transnational ones, designed to meet the needs of individual promoters. It is necessary to organize an overall response by the countries of the European Community expressing their collective interest in increasing Europe's global innovative capacity. After the Ministers' successive declarations of intent since 1969 on the need for Europe's technological development there is no longer any excuse for the lack of full commitment to the idea of European cooperation in the technologies of the future, and the Member States must decide to adopt a joint plan defining objectives and priorities. It is within this general framework that it would be possible to coordinate and develop the research work being carried out at the present time at various levels (Community, Member States, industry, universities, specialist SMUs) and integrate them into an overall strategy. It would be feasible in this context to establish the complementarity of the initiatives financed by national contributions in relation to Community activities proper.
- (b) Clearly this strategy should not imply any rigidity with regard to the arrangements for cooperation which it must encourage. Given the large number of organizations interested in the development of the technologies of the future and the complex network leading from basic research to production, it is necessary to implement flexible cooperation arrangements different from the rigid structures which have been experimented with in certain sectors in the past. The most suitable formula must be chosen on the basis of the type of problem to be solved and the stage of the research to be undertaken. Recent experiments (the Esprit, Brite and Race programmes in which the Community, Member States and industry have been involved) point to a useful approach which might subsequently be improved, though other cooperation instruments might also be envisaged if industries are to be an essential driving force of cooperation.
- (c) The possibility of effectively stimulating such cooperation depends on the ability to identify real 'needs' but also on the assurances which can be offered to those industries. In this respect, the financial outlay is obviously a key factor. There can be no denying the importance of the zero-cost financing which the United States and Japan are able to supply. The Member States must take the decision to pool part of the resources used at national level in order to benefit from optimum resource allocation. At the same time it is essential for the Community to be enabled to guarantee its participation in the research effort. This financial participation by the Community may vary in terms of degree and form according to whether development is still at the pre-competitive stage or has advanced closer to the production stage.

5. This being the case, it would appear evident that Article 4 might provide the appropriate framework within which to achieve the convergence desired by the EEC Ministers (22 and 23 July 1985) between Community projects in the field of technology and the work entrusted to the ad hoc Eureka Committee.

It should also be noted that Article 4 enters into force from 1 January and that consequently an entry could already be made in the 1986 budget for the Community projects and supplementary programmes that might be decided on in the context of deliberations on Eureka.



## B. LINKS WITH OWN RESOURCES

6. If the theoretical and practical necessity of a Community research nucleus in the programmes to be adopted is acknowledged, it will obviously be necessary to guarantee the availability of sufficient own resources. It is worth bearing in mind in this connection that the Community's financial situation is again close to strangulation point.

By Council decision of 7 May 1985 (OJ L 128/15 of 14.5.1985) the ceiling on Community own resources was raised to 1.4% of VAT. This decision is however subject to ratification by the national parliaments and it is not certain that this procedure can be completed in all the Member States before the end of the year.

It must in any case be emphasized that this increase is something of a 'cosmetic' operation, since the new ceiling has already been virtually reached with the preliminary draft budget for 1986, given that the VAT rate for the countries other than the UK and the FRG reaches 1.356% in that document, leaving a margin up to the ceiling on resources of less than 800 million ECU. It is to be feared that this margin, even if possible reductions in the final budget as compared with the preliminary draft are taken into account, will be entirely used up from 1986.

7. The share of funds devoted to research in the 1986 PDB is smaller than in previous years.

	Execution	Budget	PDB	3-year estimates	
	1984	1985	1986	1987	1988
Share of funds devoted to research	2%	2.7%	1.9%	3.15%	4.7%

The Commission of the European Communities has stated its intention to raise the share of the budget for research to 6% of the budget as from 1989. One is justified in questioning the value of this position. In order to achieve the aim of 6% of the budget for research, an increase in common financial resources is inevitable, since the financial contributions by Member States provided for in Article 4 must be regarded as supplementary resources, as explicitly stated in that article. However, if the mechanism of supplementary national contributions is to fulfil its function, it will clearly be necessary for sufficient resources to be available at Community level.

8. Having regard to the amounts which the Member States already allocate to research and which are comparable in volume terms to the amounts allocated for this purpose in the United States and Japan (see Annex I), the common research effort could be achieved by pooling part of these funds. This would increase the overall public expenditure of the EEC countries in this sector but would guarantee optimum resource allocation. Furthermore, in addition to the need to achieve and even exceed the level of 6% of common resources for research requested by the Commission, it will also be necessary to have funds available to meet all the related expenditure in the social, cultural and environmental fields which the spin-offs of research and innovation will entail at Community level. This in turn raises the question of an increase in own resources and the restructuring of the Community budget. There is thus an urgent need to reopen financial negotiations among the Member States.

### C. IMPLEMENTING PROCEDURES

9. As regards the final point concerning the implementing procedures for Article 4<sup>1</sup>, it would seem obvious that it is necessary to establish a series of criteria in order to render operational the new financial instrument. It is worthwhile quoting the text of that article in full:

'Financing from the Community's own resources of the expenditure connected with research programmes of the European Communities shall exclude neither entry in the budget of the Communities of expenditure relating to supplementary programmes nor the financing of this expenditure by means of financial contributions from Member States, the level and scale of funding of which will be fixed pursuant to a decision of the Council acting unanimously.'

10. This provision incorporates Articles 3(4) and 4(6) of the earlier decision on own resources of 21 April 1970 whilst widening their scope from nuclear research to research in general. This widening of scope raises a number of problems:

The idea of supplementary programmes was not based on a specific article of the Euratom Treaty. These programmes were devised at the end of the sixties in order to permit the continuation of programmes or research which certain Member States no longer wished to contribute to or participate in.

The fact that a new financing arrangement was used is particularly remarkable in that the Euratom Treaty contains articles which authorized ad hoc financing arrangements, in particular Article 6 which was used to finance the ESSOR reactor at Ispra, Chapter V for the JET joint undertaking and Article 10 under which the Commission may entrust certain parts of a programme with third parties.

In fact throughout the seventies several projects were financed under the supplementary programme arrangement. At present only the JRC institute reactor at Petten is financed under these provisions.

---

11. As far as the EEC Treaty is concerned, only Article 87 of the Financial Regulation gives a description of the Community's activities in the field of research.

'The appropriations relating to research and investment shall be entered in a special chapter in the Commission section of the budget.

This chapter shall contain the appropriations intended for the realization of research and investment objectives through the implementation of the following projects:

- (a) direct action projects, consisting of research programmes carried out by the four Joint Research Centres and in principle entirely financed from the general budget of the European Communities;
- (b) indirect action projects, consisting of programmes carried out under contracts to be concluded with third parties and in principle partially financed from the general budget of the European Communities;

---

<sup>1</sup> OJ No. L 128, 14.5.1985

- (c) coordinated action projects, consisting of work undertaken by the Community to coordinate the individual research projects carried out in the Member States, in respect of which the administrative expenditure alone is financed from the general budget of the European Communities.

It shall also contain the appropriations for other activities, in particular for work carried out on behalf of outside bodies and individuals.'

Under this article a research programme necessarily implies 100% Community financing in the case referred to in (a) and part financing in the case referred to in (b).

Subparagraph (b) leaves open the matter of the extent of Community financial participation and the method of financing for the non-Community part.

12. In practice the use of this article has covered both subcontracting operations and joint Community/Member State/industry programmes, such as the ESPRIT programme.

The new Article 4 of the own resources decision relates specifically to research activities which are supplementary to direct or indirect Community action projects. An operational scenario might therefore be imagined whereby:

- an outline research programme is decided on by the Council in the context of the objectives and priorities it has defined;
- this programme would comprise a variable part concerning the Community as a whole and to be financed from the Community's own resources;
- this programme would at the same time establish a framework within which to implement the supplementary programmes affecting the Member States, industries or any other partner to varying extents and the financing of which would be shared out accordingly.

It is to be noted that under Article 4 expenditure on supplementary programmes must be entered in the budget. Article 4 by no means permits the debudgetization of research.

#### CONCLUSION

13. In conclusion, the Commission should, as a matter of urgency, submit a proposal for a regulation to the Council and Parliament laying down the implementing rules in respect of Article 4, bearing in mind the need to specify:

- the scope of the concept of 'supplementary programmes';
- the various degrees of cooperation between the Community, Member States, undertakings and other parties;
- the differentiated financial participation of Member States or of some of them;
- the option for certain countries to join research programmes at a later stage;

- graduation of financial participation by the Community according to type of research or the stage reached;
- the diversification of the Community's financing mechanisms;
- the dissemination of the findings of research at Community level.