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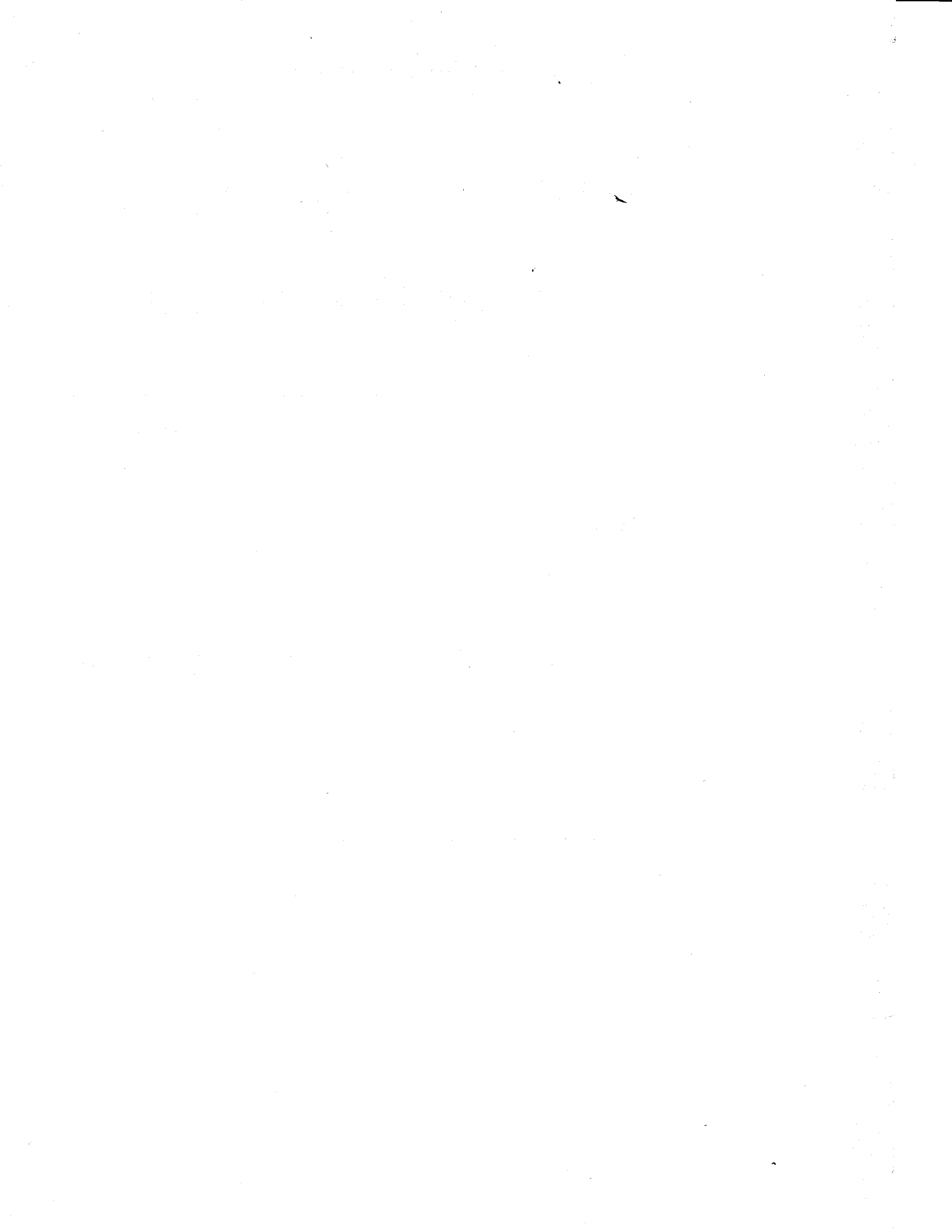
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Report

drawn up on behalf of the Committee on Budgets

on the draft general budget of the European Communities for the financial year
1975 (Doc. 288/74)

Rapporteur : Mr. Heinrich AIGNER



On 12 September 1974, the Committee on Budgets appointed Mr Aigner rapporteur on the draft general budget of the European Communities for 1975.

The draft general budget of the Communities for 1975 established by the Council was submitted to the European Parliament within the time limit laid down in the Treaties on 5 October 1974.

On 14 October 1974, Parliament referred this draft budget to the Committee on Budgets and it was also referred to the other committees which expressed a wish to deliver an opinion on it.

On 17 September 1974, the preliminary draft budget was examined in the presence of the Commission.

A delegation from Parliament consisting of members of the Committee on Budgets met the Council on 23 September 1974.

The draft budget was considered in the presence of the Commission on 7 October 1974, and in the presence of the Commission and Council of the European Communities on 21 October, 4 and 8 November 1974.

The draft amendments and proposed modifications were considered on 4 and 8 November 1974 in the presence of the Council and Commission.

At the two latter meetings, the Committee on Budgets considered Mr Aigner's draft report and unanimously adopted the motion for a resolution.

Present: Mr Spénale, chairman, Mr Aigner, vice-chairman and rapporteur; Mr Artzinger, Mr Berthoin (deputizing for Mr Houdet) Mr Boano, Mr Della Briotta, (deputizing for Mr Lautenschlager) Mr Glinne (deputizing for Mr Schmidt), Mr Hansen, Mr Lagorce, Mr Pêtre, Mr Radoux and Mr Vanderwiele (deputizing for Mr Vernaschi)

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

MOTION FOR A RESOLUTION

on the draft general budget of the European Communities for the financial year 1975.

The European Parliament,

- having regard to the preliminary draft budget of the European Communities and in particular the general introduction to Section III (Commission);
- having regard to the draft general budget of the European Communities for the financial year 1975, prepared by the Council, the explanatory memorandum thereto (Doc. 288/74) and the corrections forwarded by the Council in its letter of 3 October 1974 (Doc. 288/74 ann.);
- having regard to the exchange of views with the Commission and Council;
- having regard to the report of the Committee on Budgets, the opinions of other committees and the draft amendments and proposed modifications annexed to this report (Doc. 350/74);

(a) Financial autonomy of the Community

1. Recalls that the draft general budget for 1975 is the first budget to be financed entirely by own resources;
2. Regrets that, in the absence of a Council decision on the sixth directive on the harmonization of legislation of Member States concerning turnover taxes, it was necessary to apply the substitute arrangements providing for this eventuality;
3. Emphasizes that the financial contributions of the Member States calculated on the objective basis of their gross national product which may be temporarily substituted for the levies on VAT also constitute own resources;

(b) Inter-institutional cooperation;

4. Welcomes the cooperation established during the budgetary procedure between the Council and Assembly;
5. Urges, however, that efforts at cooperation be intensified;

(c) Assessment of the draft budget for 1975

6. Expresses its deep disappointment with the Council's draft budget for 1975, which in its view represents no progress and is seriously lacking in dynamism;
7. Notes that this draft is characterized by a total lack of political decision by the Council - whether in regional policy, social policy, research and energy policy, information policy or youth policy;
8. Supports in principle the Council's efforts to economize, but rejects its idea of cutting down on the budget of the Communities to help in the fight against inflation, and considers that action undertaken at Community level which is financed from funds withdrawn from the national exchequers has no inflationary effect;

(d) The policy of supplementary budgets

9. Firmly opposes the Council's intention to submit a number of supplementary budgets during the 1975 financial year, and reminds the Council of its earlier attitude to supplementary budgets;
10. Points out that, according to the spirit and the letter of the financial regulation, the budget is an act making provision for all expected revenue and expenditure, and that, by reducing the budget to an inventory of commitments already entered into, it is deprived of its specific character as a statement of political will;

(e) Application of the provisions of Article 203 of the Treaty

With regard to the classification of compulsory and non-compulsory expenditure

11. In the absence of rules laid down by prior agreement between the institutions, joins the Council in recognizing the provisional validity of the classification proposed by the Commission in the preliminary draft budget for 1975 distinguishing between compulsory and non-compulsory expenditure;
12. Regrets, however, that the Council has not thought it necessary to classify certain expenditure, even if its decision was taken on the grounds that the actions involved were new and the Council had not yet deliberated upon them;

Considers for its part that such expenditure must be classified if the Parliament is to be able to properly exercise its right to amend and modify the budget;

13. Agrees with the Council when it states that 'the only expenditure to have been classified as compulsory was that for which no budgetary authority, be it the Council or the European Parliament, was, because of the texts, free to determine an appropriation';

Reminds the Council that, under the provisions of Article 199 of the Treaty, expenditure entered in the budget is in the nature of an estimate;

With regard to the budgetary field of application of the rate of increase provided for in Article 203(8)

14. Points out that, according to the letter of the first subparagraph of Article 203(8), the maximum annual rate of increase applicable to all expenditure other than that necessarily resulting from the Treaty or from acts adopted in accordance therewith - which, in the terms of the second subparagraph, is an index rate - shall be fixed in relation to expenditure of the same type to be incurred during the current year;

Considers that this (maximum) rate of increase is not applicable:

- to new expenditure entered as a new item;
- when, from one year to another, the policy on which non-compulsory expenditure is based does not remain constant but grows in scope and objectives;

15. Intends to discuss this matter with the Council in order to arrive at a common interpretation before the end of the budgetary procedure;

Considers that this is the most constructive line to take since it will make it possible to reach common conclusions on the basis of experience in time for this to be reflected in the new budgetary provisions of the Treaties which have not yet been finally decided by the Institutions.

16. Instructs its President to forward the modified draft budget, this resolution, the minutes of this sitting and the report of its Committee on Budgets to the Council.

B.

EXPLANATORY STATEMENT

I. The new legal basis for the 1975 draft budget

A. Budgetary provisions applicable to financial years prior to 1975

1. The end of the financial year 1974 also marks the end of the transitional phase provided for in the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources, and in the Treaty of 22 April 1970 amending certain budgetary provisions of the Treaties establishing the European Communities.

2. The Decision of 21 April 1970 provides the legal basis for the financing of the budget of the European Communities from own resources. According to this Decision, own resources consist of:

- levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties on trade with non-member countries, within the framework of the Common Agricultural Policy,
- contributions and other duties provided for within the framework of the common organization of the market in sugar,
- Common Customs Tariff duties and other duties in respect of trade with non-member countries, and
- revenues from levies imposed in the context of a common policy created in accordance with the Treaties.

3. Since 1 January 1971, all revenue from agricultural levies has been included in the Communities' budget. Revenue from customs duties has been included progressively in the Budget of the Communities, from 50% in 1971 to 100% from 1 January 1975.

4. The provisions for budgets during the transitional period are laid down in Article 203a¹ of the EEC Treaty, which also defines the limits of the budgetary powers of the European Parliament, which is simply empowered to propose to the Council modifications to the draft budget established by the latter. The Council - as, practically, the sole budgetary authority at this time - required a qualified majority to accept the Parliament's proposed modifications if they had the effect of increasing total expenditure, or a qualified majority to reject them if they did not result in such an increase.

¹The provisions of this article are given in Annex I.

B. The new legal basis for the financial year 1975

The preparation of the 1975 budget falls within a new context as explained below:

i. Revenue

5. Article 4 of the Decision of 21 April 1970 states that, from 1 January 1975, the Budget of the Communities shall be financed entirely from the Communities' own resources.

6. These resources consist mainly of the revenue detailed above. The portion of the budget which this revenue does not cover is to be financed by VAT revenue, which will replace the former financial contributions from the Member States. Revenue from Member States' VAT yield is calculated on a uniform basis of assessment established by joint agreement between the Member States. The Commission proposal on this¹ was submitted to the Council on 29 June 1973. The European Parliament delivered its opinion on the proposal on 14 February 1974². As the Council has not yet acted on this Commission proposal, the derogation arrangement provided in the Treaty must be applied; the effect of this is that 'the financial contributions of each Member State to the budget of the Communities shall be determined according to the proportion of its gross national product to the sum total of the gross national products of Member States'³.

ii. Expenditure

7. As from the financial year 1975, Article 203⁴ of the EEC Treaty comes into force, superseding the previous Article 203a. It contains the following new provisions:

- it draws a distinction between expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith and other expenditure (compulsory and non-compulsory expenditure),
- it provides that the proportion of non-compulsory expenditure in two successive financial years may only be increased within the limits of a maximum rate,

¹ Proposal for a sixth directive on the harmonization of the legislation of the Member States concerning turnover tax - common system of value added tax: uniform basis of assessment: OJ No. C 80, 5 October 1973

² Rapporteur: Mr NOTENBOOM, Doc. 360/73

³ Article 4(3) of the Decision of 21 April 1970

⁴ The provisions of this article are given in Annex II

- the draft budget may be examined by Parliament and the Council forwarding it to each other alternately, but in the final instance, the budget is adopted by Parliament.

8. For non-compulsory expenditure, a maximum rate of increase in relation to expenditure of the same kind in the current financial year is fixed annually. This rate is fixed by the Commission with reference to:

- the trend, in terms of volume, of the gross national product within the Community,
- the average variation in the budgets of the Member States,

and

- the trend of the cost of living during the preceding financial year.

9. This rate, as communicated by the Commission to all the Institutions of the Community before they draw up their budget estimates, is based solely on the economic criteria listed above and is in no way influenced by any budgetary requirements.

10. In the light of these requirements, the Treaty provides, however, for the possibility of a new maximum rate being fixed by agreement between the Council and the Parliament¹ in exceptional cases - if the Commission or the Council or the Parliament considers that the established maximum rate is inadequate for the Community's activities.

11. In exercising its right of amendment, Parliament may further increase the total amount of non-compulsory expenditure within the limit of half the maximum rate if the rate of increase resulting from the draft budget established by the Council is greater than half the maximum rate fixed by the Commission.

12. Parliament is entitled to adopt amendments relating to non-compulsory expenditure and to propose modifications to compulsory expenditure. The Council may modify amendments adopted by Parliament; it also acts on the proposed modifications. Parliament acts by a majority of its members and three-fifths of the votes cast on the modifications made by the Council to its amendments and adopts the budget accordingly.

¹In such cases, the Council acts by a qualified majority and the Parliament by a majority of its members and three-fifths of the votes cast.

II. The main features of the Commission's preliminary draft and the Council's draft

A. General scrutiny of expenditure

i. Total amount of expenditure

13. The preliminary draft budget for 1975 amounts to 6,955,659,809 u.a., representing an increase of 36.93% over 1974. The Commission's own budget amounts to 6,850 million u.a., or about 98.5% of the total budget.

14. The Commission emphasizes that it was guided by a concern for stringent austerity in preparing the preliminary draft budget. This concern for austerity relates not only to the forecasts of operating expenditure but also to the forecasts of expenditure designed to allow the continuation of existing actions already undertaken in previous financial years.

15. The Commission stresses that the formal increase in the appropriations entered in its preliminary draft budget as against 1974 (37.1%) should be viewed in the light of the new measures it has proposed for the coming financial year.

The total amount required for these new operations amounts to almost 1,000 million u.a. and covers, mainly,

- appropriations for the Regional Development Fund (650 million u.a.);
- appropriations for cooperation with developing countries (210 million u.a.);
- appropriations for the inclusion of the European Development Fund (50 million u.a.) in the budget.

16. The Council's draft budget amounts to 5,775,335,773 u.a., an increase of 13.70% in comparison with 1974.

17. According to its explanatory memorandum, the Council too has been guided primarily by considerations of economy in establishing the draft budget. As a consequence, it considered that it should support the Commission's endeavours to economize at Community level and even made further cuts in the appropriations entered in the preliminary draft.

18. Moreover, the Council has excluded almost all the new actions proposed by the Commission from its draft budget. Some of this expenditure has been shown as a token entry, while other budgetary entries, e.g. for the Development Fund, have been totally deleted from the preliminary draft.

19. The Council justifies the exclusion of this expenditure - or the inclusion of token entries - on the grounds of the absence or inadequacy of the relevant regulations. It has, however, indicated that some of this expenditure may be covered by draft supplementary budgets in the course of the 1975 financial year.

ii The main categories of expenditure

European Agricultural Guidance and Guarantee Fund (EAGGF)

20. The Council approved the full amount requested by the Commission for the Guarantee Section (3,772 million u.a.) and for the Guidance Section (325 million u.a.).

On the other hand, the Council did not deem it appropriate to support the Commission's proposal to enter 200 million u.a. in Chapter 98 to allow for the possible financial implications of the adjustment of agricultural policy in 1975/1976. It considered that the financial implications of this review should, if necessary, be covered by a supplementary budget.

Social Sector

21. The Council cut down the amount proposed by the Commission for the Social Fund by 70 million u.a. to 210 million u.a. In support of its decision, the Council stresses that the amount of the appropriations it has included represents a substantial increase of 24.7% over the appropriations allowed for the financial year 1974.

The Council agreed that activities proposed by the Commission in the context of the Social Action Programme (European Vocational Training Centre, programme of research on labour market trends, control of poverty, etc.) should be entered in the budget. Since, however, it (the Council) has not yet taken a decision on these activities, the amounts requested by the Commission were deleted and replaced by a token entry. In its explanatory memorandum the Council points out that a prompt start could be made on these activities as soon as the Council decides on them, as it has included an appropriation of 1 million u.a. for this purpose in Chapter 98. It also suggests that further amounts can be made available in a supplementary budget.

Regional sector

22. The amount of 650 million u.a. requested by the Commission for the Regional Development Fund has been deleted and replaced by a token entry, the reason given being that no decisions have yet been taken on regional policy. Here too the Council intends to cover the budgetary implications of any such decision by a supplementary budget.

Research, technology, industry and energy sector

23. The appropriation of 25 million u.a. requested by the Commission for hydrocarbon prospecting has been approved by the Council.

The funds for the Community contracts for industrial innovation and development (20 million u.a.) have been deleted and a token entry made since the Council has as yet taken no decision on the matter.

24. The funds for research and investment have been cut by 20 million u.a.

Further cuts have been made in:

- the grant towards the operation of the European Foundation for the Improvement of Living and Working Conditions (4,500,000 u.a. replaced by a token entry);
- expenditure on scientific and technical information and documentation research (reduction of approximately 2 million u.a.);
- expenditure relating to the action programme on scientific and technological policy (reduction of approximately 600,000 u.a.);
- expenditure on educational measures (1,200,000 u.a. replaced by a token entry).

Development cooperation sector

25. The Council rejected the Commission's proposal that appropriations for the European Development Fund (50 million u.a.) should be included in the Communities' budget. The reason given was that the Council did not wish to prejudge decisions on the means of financing the Association Agreements and indicated that a supplementary budget would be required here too.

26. The Council approved appropriations for the continued implementation of programmes prior to 1975 (25 million u.a.). On the other hand, it cut down the funds for further programmes by 79 million u.a., pending approval in 1975 of a new multi-year programme.

27. The amount of 5 million u.a. requested by the Commission the transportation of goods in emergency situations has been cut to 1 million u.a.; the Council suggests that the unused 1974 appropriation of 2 million u.a. should be carried over to 1975.

28. The Council has replaced the amount of 210 million u.a. requested by the Commission for off-setting the impact of the international crisis in certain developing countries by a token entry: here too it proposes that these credits may be entered in a supplementary budget.

B. SCRUTINY OF NON - COMPULSORY EXPENDITURE

29. These items of expenditure are of particular interest to the Parliament since they are covered by its right of amendment, i.e. the Parliament has the final word on them.

(i) Classification of expenditure

30. Neither the provisions of Article 203 of the EEC Treaty, which introduces the idea of the distinction between compulsory and non-compulsory expenditure, nor any other official text permits a classification which would be acceptable a priori to all the institutions. As it was impossible for agreement to be reached between the Institutions on the interpretation of these provisions before the start of the budgetary procedure, the Commission points out that it considers that the 'final establishment of this distinction will emerge from the budgetary procedure in the second half of 1974'¹.

In Annex III of Volume IV of the preliminary draft budget, the Commission proposes a classification of this expenditure which it considers complies most faithfully with the provisions of the Treaty.

31. The appropriations thus classified by the Commission as non-compulsory expenditure amount, in the preliminary draft, to 1,550 million u.a. This represents a rate of increase over analogous expenditure in the last financial year of 140.17% (646,829,032 u.a.)

32. For its part, the Council, in establishing the draft budget, agreed to adopt the classification suggested by the Commission as a reference basis to enable the 1975 draft budget to be drawn up pragmatically without any decision being taken on the subject for the future. At the same time, it states that appropriations requested by the Commission for new actions on which the Council has not yet taken decisions would remain unclassified throughout the budgetary procedure².

¹Volume 7 of the preliminary draft, page 5

²Cf. Table IV in the Annex.

33. Both the Commission and the Council seem to be fully aware of the provisional nature of this classification, and prepared to seek permanent criteria for the classification of expenditure for the future.

(ii) Maximum rate

34. The maximum rate fixed by the Commission for the increase in non-compulsory expenditure for the financial year 1975 is 14.6%.

35. The non-compulsory expenditure in the Council's draft budget shows an increase of 12.43%.

36. Under the provisions of Article 203 of the EEC Treaty, Parliament, exercising its right of amendment, may increase the total amount of the non-compulsory expenditure by up to half of the maximum rate fixed by the Commission, in this case 7.3%. This percentage corresponds to an effective 'margin' for the Parliament of approximately 53 million u.a.

If none of the institutions proposes the fixing of a new maximum rate, the non-compulsory expenditure could therefore be increased by 19.73% (12.43% + 7.3%) in the financial year 1975.

III. Views of the Committee on Budgets on the draft general budget

A. Preliminary remarks on the budgetary procedure

37. For the first time, the draft general budget for 1975 is being considered under the provisions of Article 203 of the EEC Treaty.

On 23 September 1974, before the Council established the draft general budget for 1975, a meeting was held between the former and a delegation from the European Parliament consisting of the chairman of the Committee on Budgets, Mr SPENALE, the rapporteur on the draft general budget, Mr AIGNER, the rapporteur on the draft budget of Parliament, Mr GERLACH, and Mr TERRENOIRE.

38. At this meeting, the delegation submitted to the members of the Council the European Parliament's first views on the Commission's preliminary draft budget.

During the discussions, the President of the Council offered to keep in constant touch with the rapporteur throughout the budgetary procedure.

39. Your rapporteur confirms that he made use of this offer and that this considerably facilitated the deliberations on the budget. He would like to take this opportunity of thanking the Council for demonstrating its readiness to work in partnership and to express the hope that these contacts will be even more fruitful in the future.

B. Overall expenditure

40. By and large, your rapporteur's views on the Commission's preliminary draft general budget of the Communities for 1975 are favourable. In particular, he welcomes the fact that the Commission has taken the coming financial year, in which the general budget of the Communities will, for the first time, be financed entirely from own resources, as an opportunity to propose a number of new operations which he believes will contribute to the Community's development. These are all based on decisions of principle taken either at a Conference of Heads of State or Government or by the Council of Ministers itself.

As regards the administrative budget and the continuation of the Commission's 'old' operations, your rapporteur feels he can certify that the Commission had made every effort to follow strict money-saving criteria in drawing up the preliminary draft.

41. Your rapporteur cannot conceal his intense disappointment at the Council's draft general budget, which he would describe as a 'general anaesthetic for the Communities in budgetary form'.

In drawing up its draft budget, the Council was guided by the need to save money, a principle which Parliament fully supports. However, the results of these efforts amount to a curtailment of the development of the Community. It is a mistake to believe that economic difficulties in the Member States can be solved by reducing the Community's activities.

42. Moreover, the Council's view that the Community budget must support the Member States' efforts to counteract general inflation is also unacceptable. The Community budget is much too small (less than 2% of the budgets of the Member States) for it to exert a direct effect on economic activity, and the relatively modest scale of this budget gives good cause not to overestimate the possible impact on public opinion of a higher increase in the Community budget than in the national budgets. The Community is responsible for organizing the activities of its Member States as rationally as possible. This also means that the Community must gradually take over activities that have so far been carried out by the Member States individually. Entry in the Community budget of the appropriations necessary for this purpose would thus automatically relieve some of the burden on national budgets and be fully justified from the angle of limiting public expenditure.

43. The Council's savings relate mainly to the new operations proposed by the Commission.

In its explanatory memorandum and in the reasons cited for deleting certain expenditure items, the Council generally declares its readiness to reintroduce this expenditure for the 1975 financial year through supplementary budgets. The Council makes this observation seven or eight times.

Your rapporteur is not prepared to support the Council in this policy of supplementary budgets. He takes the view that the Council is taking the principle of economy, which was its main criteria in establishing the draft general budget, to absurd lengths. Assuming that we share the Council's view on the inflationary effects of the Community budget, it cannot be supposed that supplementary budgets during 1975 would have a less inflationary effect than they would have done if the corresponding amounts had been included immediately in the annual budget.

44. A fundamental argument against supplementary budgets is to be found in the budgetary provisions of Article 203 of the EEC Treaty. Under these provisions, the budget of the Communities will, from 1975, be financed entirely from own resources. Thus, in respect of draft supplementary budgets, the problem for the Community institutions is one of revenue rather than expenditure. How can a Community which so far has no loan or reserve rights finance such budgets? As the VAT rate is fixed during the budgetary debate solely in the light of the expenditure provided in the draft annual budget, there is clearly no margin of manoeuvre to finance possible supplementary budgets.

45. In 1975, there is also another problem as regards supplementary budgets. Since financing by own resources on the basis of value added tax cannot yet be applied, these supplementary budgets will have to be financed by contributions calculated on the basis of the GNP. The finance ministers of the Member States will therefore be obliged by the Council to review their financial estimates on each occasion and the Council may therefore have to forego certain decisions on expenditure considered important by the European Parliament. If this is the Council's intention, it should say so clearly. Moreover, it is impossible to understand why precisely those Member States which so far have been the fiercest opponents of Community supplementary budgets should now want to introduce what amounts to a policy of supplementary budgets. It should also be realized that such a policy will make it impossible to ensure the necessary continuity of public budgetary policy and will be detrimental to its effectiveness. This draft budget, in fact, reflects a lamentable series of failures to take political decisions, which hinder progress in the Community.

46. A further problem specific to 1975 is that this year the Community simply cannot afford to jeopardize the credibility it so urgently needs by failing to include certain expenditure in the annual budget when, in the public's view, it should be included as it serves to finance activities fundamental to the development and role of the Community.

47. Excessive recourse to supplementary budgets also contradicts the Council's decision of 18 February 1974 on the achievement of a high degree of coordination of the Member States' economic policies. The latter clearly cannot take into account, in establishing their national budgets, the broad lines of a Community budget which is liable to undergo far-reaching changes during the financial year.

48. Both the European Parliament and the Commission are against this attitude of the Council. Your rapporteur is aware that the Commission has officially informed the Council that in future it will no longer be prepared to submit the long-term financial forecasts of the expenditure and revenue of the budget of the European Communities which the decision of 21 April 1970 requires it to draw up.

Your rapporteur would very much regret it if the Commission put this intention into effect, but nevertheless understands that, because of the Council's attitude, such a report would not only be difficult to prepare but would also lose much of its meaning.

C. Non-compulsory expenditure

i. Classification of expenditure

49. As mentioned above, the European Parliament's real budgetary powers are based on the provisions of Article 203 of the EEC Treaty, which gives Parliament the last word on expenditure of this type.

With its proposal for a classification of this expenditure, the Commission has embarked on a pragmatic course which has the disadvantage that it is not based on a precise set of rules.

50. Because of this lack of clarity, Parliament is unable to assess the underlying reasons for this classification. Its consideration of the matter shows, however, that the Commission has not adhered to the position expressed in its proposals on the strengthening of the European Parliament's budgetary powers¹ when it classified as non-compulsory expenditure all expenditure not automatically resulting from previous major Community decisions.

Your rapporteur is convinced that, even if such a pragmatic procedure is followed year after year, it will, in the long run, be impossible to maintain the distinction between the two expenditure categories. This distinction is, in fact, based on a certain mistrust of the Parliament's budgetary decision-making powers. Nor can this distinction constitute in future a basis for joint and equal cooperation between the Council and Parliament. Your rapporteur wishes to recall the Council's known opinion that both Parliament and the Council must have the same margin of manoeuvre in the matter of expenditure.

51. Even if the Commission's attempt at a classification is endorsed, a certain lack of logic cannot be overlooked.

What, for instance, is the explanation of the fact that expenditure under Chapter 10 'Members of the Institutions' is classified as compulsory whereas expenditure for staff is considered non-compulsory? All expenditure for staff - insofar at least as the present staff of the Community Institutions is concerned - is in reality compulsory expenditure which neither the Council nor Parliament can fix as they choose. On the other hand, the appropriations earmarked for recruitment of new staff must

¹See Doc. COM(73) 1000

certainly be considered non-compulsory and of a purely optional nature. This also corresponds to Parliament's right to modify the establishment plan. Expenditure on rent must also be considered as compulsory, in spite of the Commission's view to the contrary, since none of the institutions can avoid such expenditure, even if it does not result automatically from the Treaty.

52. Moreover, the Commission proposed that expenditure under the 'Guidance' section of the EAGGF earmarked for individual projects but at the same time - as the Commission also mentions in the remarks on the relevant items in its preliminary draft - initially intended to finance joint measures, should be classified as compulsory. How then can these budget items constitute compulsory expenditure?

Classification of the expenditure of the 'Guarantee' section of the EAGGF, which must a priori be considered compulsory expenditure par excellence, is also a trifle ambiguous. As the Commission informed the Committee on Budgets during the budget consultations, transfers of appropriations totalling at least 200 million u.a. have been effected under this title in the current financial year. This fact alone makes it difficult to accept the finality of the classification of this expenditure as compulsory.

53. In its explanatory memorandum to the draft general budget, the Council did give a certain definition of compulsory expenditure. It approved the classification proposed by the Commission on the grounds that 'the only expenditure to have been classified as compulsory was that for which no budgetary authority, be it the Council or the European Parliament, was, because of the texts, free to determine an appropriation'¹.

54. This idea was already clearly expressed by the European Parliament delegation at its meeting with the Council, before the latter established the draft general budget. Unfortunately, the Council did not adhere in practice to this principle of classification; by leaving certain expenditure unclassified throughout the budgetary procedure, the Council has adopted a line which the European Parliament must strongly oppose.

¹See Volume 7 of the draft general budget, page 8.

The Council is wrong in its assertion that this attitude in no way curtails the powers of the budgetary authority in the matter of classification. As the Commission itself concluded, the non-classification of expenditure is undeniably an objective curtailment of Parliament's powers, since it obliges Parliament, when adopting the draft budget, to act without knowledge of any supplementary budgets which may be presented.

The European Parliament cannot and will not allow the Council to curtail the rights conferred upon it under Article 203 of the EEC Treaty.

55. On 16 October 1974, when the draft general budget for 1975 was presented, the President of the Council stated to Parliament in plenary sitting that this expenditure could not be classified 'as it did not exist'. The answer to this is that the budget, according to the spirit and letter of the Financial Regulation, is a forecast. This means that all expected revenue and expenditure must be entered in the budget.

It seems that, when the members of the governments of the Member States meet in the Council, they completely forget a fact which they take for granted at national level, namely that the budget, as a forecasting instrument, is also in the nature of a declaration of political intent.

56. This political character would disappear if the budget were treated as a mere record of existing commitments.

The new projects proposed by the Commission and not classified by the Council are based on decisions of principle which have already been taken, and which, in the opinion of the European Parliament, make an entry in the annual budget imperative.

57. The classification accepted by the Council also lacks logic. The Council on the one hand refuses to classify expenditure for the Regional Fund, for activities in the field of education and for Community contracts for innovation and industrial development, because the decisions on which this expenditure is to be based have not yet been taken. On the other hand, the Council agrees to create several budget items - as token entries - for certain projects in the social action programme¹, and accepts the

¹These include the following items:

- European Vocational Training Centre
- Programme of research on labour market trends
- Control of poverty
- Organizing and humanizing work
- Community measures for the participation of both sides of industry in the Community's economic and social decisions.

Commission's proposal that these appropriations be classified as non-compulsory expenditure, despite the fact that, with the exception of one of these items, the Commission has not even submitted a corresponding proposal for a regulation.

58. The Council should agree to a dialogue with Parliament on this problem so as to work out between them, at least for the next budgetary procedure, a concept on which both can agree.

ii. Maximum Rate

59. The Commission's preliminary draft shows an increase of 140% in non-compulsory expenditure compared with 1974. This increase is largely due to the classification as non-compulsory of most of the expenditure intended to finance new projects. In its memorandum, the Commission states that, being unwilling to preempt the opinion of the budgetary authority on this matter, it did not consider it appropriate for the time being to make a proposal for the fixing of a new maximum rate in accordance with Article 203(8), fifth subparagraph. The only explanation for this contradiction is that the Commission wanted to await the initial reactions of the Council and Parliament before finally proposing a new rate. This view is justified because of the difficulty of fixing a new rate before the budgetary procedure has reached a sufficiently advanced stage. However, the Commission may be said to have displayed a lack of courage in failing to fix a new rate in the light of the implications of its preliminary draft budget.

60. The maximum rate fixed by the Commission in fact represents an indexing of certain Community expenditure on the basis of the rise in the cost of living, in the gross national product and in the Member States' national budgets. By its very nature, this indexing can only relate to expenditure corresponding to old measures already implemented in the past; its concept prevents it from being applied to expenditure financing entirely new measures which do not therefore figure among 'expenditure of the same type to be incurred during the current financial year'; these are the only expenditure items to which the indexing procedure can apply.

The general application of an index to all non-compulsory expenditure would therefore considerably restrict the possibility of introducing new common policies and reduce the Community budget to a mere operational budget.

61. The Council supports this view, albeit indirectly, in announcing its intention to submit several supplementary budgets covering expenditure on new policies. If the Council classifies the bulk of this expenditure as non-compulsory, as the Commission has suggested, it will then have to propose the fixing of a new rate and request the Parliament's agreement to this.

If, on the contrary, the Council proposes to classify this expenditure as compulsory and, in so doing, escape the limitation of the maximum rate, it will once again have to seek the Parliament's agreement.

Parliament would appreciate it if the Council would confirm this interpretation.

62. Moreover, Parliament had already expressed its view that, if a new rate is fixed, it should not lose the benefit of the margin of increase granted to it by the Treaty. However, it abandoned this view because of the difficulty of reaching an agreement with the Council on this point.

Discussions in the Committee on Budgets

63. The Committee on Budgets considered the draft amendments and proposed modifications at length. The results of its deliberations at its meetings of 28 and 29 October, 4 and 5 November and 8 November 1974, are summarized in the tables below.

The voting order generally followed the budgetary nomenclature, but this order was applied to the proposals submitted to the various meetings of our committee.

The criterion to be followed in plenary sitting is also that of the budgetary nomenclature. However, in several instances, the order in which amendments and modifications are called and voted on cannot be the same in the plenary sitting as in the Committee on Budgets for the following reasons:

- (a) Other proposed modifications and draft amendments will be added;
- (b) Some draft amendments and proposed modifications to the different chapters which appeared under a single order number in the Committee on Budgets were subsequently broken down into a number of different draft amendments and proposed modifications;
- (c) Some amendments to Chapter 98 relating to appropriations intended for other titles or chapters were voted on in the Committee on Budgets when the other titles concerned were considered. They were, in fact, examined at the same time as other proposals to modify these titles in the chapter which were subsequently rejected.

For the same reasons, these amendments or modifications will only be dealt with in the plenary sitting when Chapter 98 is called.

64. The classification ex-rate of certain draft amendments reflects the conclusions of the Committee on Budgets referred to in paragraph 14 of Mr AIGNER's resolution, and the views of that committee in particular when it considered the draft amendment on the renewed Social Fund (draft amendment No. 55).

Moreover, the Committee on Budgets had at its disposal during its discussions several draft amendments proposed by the rapporteur who indicated in the explanatory statement the basic reasons for which he had decided to classify ex-rate certain appropriations entered both for the development of existing policies and for the commencement of new policies.

The committee also had at its disposal as a working instrument a table indicating the possible classification of the draft amendments considered.

DISCUSSIONS IN THE COMMITTEE ON BUDGETS

AT ITS MEETINGS OF

4 and 8 NOVEMBER 1974¹

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS							
Art.	Subject	Amount	DM ²	PM ²	AUTHOR	Fa- vour- able	Unfa- vour- able	Remarks	RATE	NOT IN RATE
	<u>Commission's establishment plan</u>									
	Commission's list of posts: + 30 posts for Computer Centre	+ 330,480	40		Comm.Budg.	X		Unanimous apart from 1 abstention	X	
	Commission's list of posts: + 3 posts (replacement of officials elected to Staff Committee)	+ 49,528	38		Comm.Budg.	X		Unanimous apart from 1 abstention	X	
	<u>TITLE I</u>									
145	Building loans	+2,000,000	39		Comm.Budg.	X		Unanimous	X	
	<u>TITLE 2</u>									
21- 22- 23	Operating expendi- ture in Ottawa, Lima, Cardiff and Edinburgh and flying squads in France and Italy	+ 310,000	26		Comm.Cult. Aff.	X		9 votes for, 6 abstentions	X	
224	Operating costs and services at Computer Centre	+ 447,000	36		Comm.Budg.	X		Unanimous	X	
226	Operating of internal documen- tation system	+ 100,000	37		Comm.Budg.	X		Unanimous apart from 3 abstentions	X	

¹The draft amendments and proposed modifications are given in the order in which they were considered by the Committee on Budgets.

²DA = draft amendment; PM = proposed modification.

BUDGETARY NOMENCLATURE			DA	PM	AUTHOR	OPINION OF THE COMMITTEE ON BUDGETS			RATE	NOT IN RATE
Art.	Subject	Amount				Favourable	Unfavourable	Remarks		
251	Advisory Committee on Consumers	+ 250,000	7		Comm. Publ. Health		X	Rejected	X	
256	Expenditure on pre-consultation meetings of trade unions	+ 60,000	22		Comm.Soc. Aff.	X		11 votes for, 5 against and 1 abstention	X	
267	Studies on consumer protection	+ 90,000	8		Comm.Publ. Health			Withdrawn	X	
272	Expenditure on information	+ 1,000,000	38.732		Rapporteur		X	Rejected by 7 votes to 2 with 5 abstentions	X	
272	Expenditure on information	+ 380,000	25		Comm.Cult. Aff.	X		13 votes for, 1 against and 2 abstentions	X	
273	Information of youth	+ 50,000	27		Comm.Cult. Aff.	X		14 votes for and 3 abstentions	X	

BUDGETARY NOMENCLATURE			DA	PM	AUTHOR	OPINION OF THE COMMITTEE ON BUDGETS			RATE	NOT IN RATE
Art.	Subject	Amount				Fa- vour- able	Unfa- vour- able	Remarks		
	<u>TITLE 3</u>									
980 to 301- 307	Expenditure on social policy	+ 9,386,000	21		Comm. Soc. Aff.		X	Expenditure on social policy. This sum, which affects several items or articles, received an unfavourable opinion except for the sums ear- marked for Items 3021- 3050-3051-3060 and Art. 356, totalling 3,741,000 u.a.		X
980 to 301	European Vocation- al Training Centre	+ 1,100,000	28		Comm. Soc. Aff.	X		5 votes for, 3 against and 7 abstentions		X
301	Vocational train- ing	+ 600,000	38.726		Rapporteur			This proposal by the rapporteur lapses after adoption of amendment No. 28		
3011	Other vocational training activities	+ 123,200	18		Comm. Soc. Aff.			Withdrawn	X	
3011	Vocational train- ing activities	+ 65,700	41		Comm. Budg.	X		7 votes for, 1 abstention	X	
980 to 302	Exchanges of young workers	+ 541,000	30		Comm. Cult. Aff.		X	4 votes for, 7 against and 3 abstentions. With the committee's approval the rapporteur will ask the Commission to submit at an early date a programme for the exchange of young workers in time for appro- priations to be earmarked for next financial year (1976)	X	

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS					RATE	NOT IN RATE
Art.	Subject	Amount	DA	PM	AUTHOR	Fa- vour- able	Unfa- vour- able		
303	Organization of training courses for social workers	+ 50,000	19		Comm. Soc. Aff.	X		9 votes for, 2 abstentions	X
304	Measures to increase effect of social policy	+ 50,000	20		Comm. Soc. Aff.	X		8 votes for, 4 against and 1 abstention	X
304	Measures to increase effect of social policy	+ 40,000	38.721		Rapporteur			Lapses after adoption of amendment No. 20	X
New 3052	Guarantee of income to workers during retraining period - 'p.m.'	p.m.	23		Comm. Soc. Aff.	X		9 votes for, 3 abstentions	X
3050	Programme of research on labour market trends	+ 200,000	42		Comm. Budg.	X		7 votes for, 3 against and 4 abstentions	X
3051	Pilot projects on housing for handicapped workers	+ 500,000	42a		Comm. Budg.	X		10 votes for, 3 abstentions	X
3060	Control of poverty	+ 1,000,000	38.728		Rapporteur			Withdrawn and replaced by draft amendment No.43 from Committee on Budgets adding 1.5 million for same purpose to Chapter 98 (10 votes for, 4 abstentions)	X
3061	Organizing and humanizing work	+ 145,000	"		"				X
307	Participation of both sides of industry in Community's economic and social decisions	+ 250,000	38.731		"			Withdrawn	X

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS							
Art.	Subject	Amount	DA	PM	AUTHOR	Fa- vour- able	Unfa- vour- able	Remarks	RATE	NOT IN RATE
330	Expenditure on research and investment	+2,864,000	35		Comm. Energy	X		Unanimous	X	
330	"	Compensation 13,781,192	34		Comm. Energy	X		Unanimous apart from 1 abstention	X	
330	"	+ 500,000	16		Communist Group			Withdrawn. Committee on Budgets and its rapporteur will press Council on urgency of revision of staff regulations of staff employed at the Centre. Revision already proposed and adopted by Parliament long ago.	X	
350	Cost of meetings	+ 24,000	9		Comm. Publ. Health	X		6 votes for, 4 against and 3 abstentions	X	
3550	Health measures in respect of air and water	+ 35,000	10		Comm. Publ. Health	X		7 votes for, 4 against and 3 abstentions	X	
3551	Health measures at place of work	+ 30,000	11		Comm. Publ. Health	X		6 votes for, 4 against and 3 abstentions	X	
356	Foundation for improvement of living and working conditions	+ 1,500,000	12		Comm. Publ. Health	X		10 votes for, 2 abstentions		X
3570	Environmental studies	+ 140,000	3		Comm. Publ. Health		X	Rejected by 8 votes to 1 with 2 abstentions	X	
392	Expenditure on educational measures	+ 400,000	29		Comm. Cult. Aff.	X		12 votes for, 1 abstention		X

BUDGETARY NOMENCLATURE						OPINION OF THE COMMITTEE ON BUDGETS				
Art.	Subject	Amount	DA	PM	AUTHOR	Fa- vour- able	Unfa- vour- able	Remarks	RATE	NOT IN RATE
	<u>TITLE 4</u>									
410	Subsidies to institutions of higher education	+ 12,000	31		Comm.Cult. Aff.		X	Committee and rapporteur will press Commission to ensure that in the 1976 budget the appropriations for <u>all</u> inst. of higher education are substantially increased	X	
415	Consumer projects	+ 30,000	4		Comm.Publ. Health		X	10 votes against	X	
	<u>TITLE 5</u>									
510	Expenditure for reform of European Social Fund	+ 70m	17		Comm.Soc. Aff.			Withdrawn. Amendment withdrawn after noting the fact that in principle approx. 48m u.a. could be carried forward from '74 to '75		X
510	Expenditure for reform of European Social Fund	+ 35m	55		Comm.Budg.	X		Unanimous (17 votes). These appropriations and those which can be carried forward from '74 to '75 will restore the sum proposed by Commission in prelim. draft		X
550	European Regional Development Fund - interventions	+ 649.7m	14 corr.		FABBRINI and others		X	12 votes against and 1 abstention		X
980 550	European Regional Development Fund	+ 649.7m	32		EPD Group		X	15 votes against and 1 abstention		X
550	European Regional Development Fund	+ 300m	56		Comm.Reg. Policy	X		13 votes for and 2 against. Especially in view of delay in implementing summit decisions, this sum considered essential to launch new Regional Development Fund		X

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS							
Art.	Subject	Amount	DA	PM	Author	Fa- vour- able	Unfa- vour- able	Remarks	RATE	NOT IN RATE
550	European Regional Development Fund	+ 300m (150 to Art. 550 and 150 to Art.980)	59		Comm.Budg.	X		15 votes for. The Committee on Budgets, as the committee responsible, endorsed the views of the Committee on Regional Policy. However, it proposes a breakdown of the 300m u.a. between Article 550 and Chapter 98 'non-allocated provisional appropriations'		X
550	European Regional Development Fund	+ 150m (100 to Art. 550 and 50 to Chapter 98)			Rapporteur			Superfluous in view of the preceding votes		
560	European Regional Development Fund - surveys	+ 0.3m	15		FABBRINI and others		X	Rejected		X

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS					RATE	NOT IN RATE
Art.	Subject	Amount	DA	PM	Author	Fa- vour- able	Unfa- vour- able		
	<u>TITLE 6</u>								
601	Item 6010 'Denaturing premiums'	- 23.5m		11	Communist Group		X	15 votes against, 2 for and 1 abstention. Deletion of 23.5m u.a. would mean deletion of the item. Hence the unfavourable opinion	
601	Item 6010 'Denaturing premiums'	- 23.5m		12	Comm.Agr.	X		17 votes for, 1 against and 2 abstentions. Since this PM qualifies deletion of the 23.5m u.a. by the introduction of a token entry, it has been approved by the Committee on Budgets	
601	Item 6015 'Subsidies for feed grains imported into Italy'	- 1.5m		10	Communist Group		X	16 votes against, 1 for and 2 abstentions	
620	Item 6200 'Refunds'	- 100m		9	Communist Group		X	15 votes against, 1 for and 2 abstentions	
621	Item 6214 'Storage of butter and procedures for reduction of surplus of butter fats'	- 150m		8	Communist Group		X	16 votes against, 1 for and 2 abstentions	
641	Item 6410 'Denaturing premiums'	- 1.6m		13	Comm.Agr.	X		15 votes for and 1 abstention	
641	Item 6419 'Other interventions'	+ 3m		21	Comm.Budg.	X		14 votes for and 2 abstentions	

Art.	BUDGETARY NOMENCLATURE		DA	PM	Author	OPINION OF THE COMMITTEE ON BUDGETS			RATE	NOT IN RATE
	Subject	Amount				Fa- vour- able	Unfa- vour- able	Remarks		
661	Intervention in respect of pigmeat	+ 22m		18 rev.	EPD Group		X	9 votes against, 5 for and 3 abstentions. The Committee on Budgets and its rapporteur are very anxious that the Commission and Council should intensify action on interventions for pigmeat, particularly in view of the present situation		
672	Intervention - eggs	p.m.		19 rev.	EPD Group		X	8 votes against, 6 for and 3 abstentions		
673	Intervention - poultry									
681	Intervention - fruit and vegetables	compensation of 15m		20 rev.	EPD Group		X	9 votes against, 4 for and 2 abstentions		
	<u>TITLE 7</u>									
760	Monetary compensatory amounts in respect of intra-Community trade	- 75m		7	Communist Group		X	10 votes against, 1 for and 2 abstentions		
	<u>TITLE 8</u>									
800	Plans for improving structure of agriculture	+ 50m		14	Comm.Agr.			Withdrawn. Replaced by PM 22 proposing only 1 u.a. in addition. This was not considered following the adoption of the Committee on Budgets' draft amendment No. 24.		
800	Plans for improving structure of agriculture	+ 1		22	Comm.Agr.			Not considered, see remarks above		

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS					RATE	NOT IN RATE
Art.	Subject	Amount	DA	PM	Author	Fa- vour- able	Unfa- vour- able		
800	Plans for improving structure of agriculture	+ 100m		24	Comm.Budg.	X		The committee adopted a proposal from the rapporteur by 4 votes to 1 with 8 abstentions	
800	Plans for improving structure of agriculture	+ 100m		6	Communist Group			Not considered following adoption of PM 24	
810	Item 8103 'Agriculture in mountainous areas and other less favoured regions'	+ 150m		5	Communist Group		X	7 votes against, 1 for and 4 abstentions. Replaced by <u>PM 23</u> proposed by the Committee on Budgets on the initiative of Mr Gerlach. This PM provides for 50m u.a. for the same purposes.	
810	Item 8103 'Agriculture in mountainous areas and other less favoured regions'	+ 50m		23	Comm.Budg.	X		8 votes for, 5 against and 3 abstentions	
833	Priority Regions Sector	+ 100m		4	Communist Group		X	12 votes against, 1 for and 2 abstentions	
833	Priority Regions Sector	+ 1		15	Comm.Agr.		X	The Committee on Budgets agreed that the resolution should state that the reserve appropriations quoted in the budgetary remarks are a binding commitment within the meaning of the Financial Regulation of the Communities	
880	Appropriations reserved for expenditure under Chapters 81 - 83	+ 1		16	Comm.Agr.		X	The report will state that the 'Mansholt' reserve figuring in the budgetary remarks is a binding commitment within the meaning of the Financial Regulation of the Communities	

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS					RATE	NOT IN RATE
Art.	Subject	Amount	DA	PM	Author	Fa- vour- able	Unfa- vour- able		
	<u>TITLE 9</u>								
920	Food aid cereals - 1975 programme	+ 41m		1	Comm.Dev. and Coop.	X		Unanimous apart from 1 abstention	
921	1975 programme for skimmed milk powder	+ 10.5m		2	Comm.Dev. and Coop.	X		Unanimous apart from 1 abstention	
922	Food aid: sugar - 1975 programme	+ 1.5m		3	Comm.Dev. and Coop.	X		Unanimous apart from 1 abstention	
940	UN measures to assist developing countries	+ 210m	1		Comm.Dev. and Coop.		X	3 votes against and 9 abstentions. However, the Committee on Budgets expects that the Comm. on Dev. and Coop. will reconsider this DA on 11.11.74. Whilst in favour of these measures, the Comm. on Budgets has a number of reservations concerning the inclusion of these appropri- ations in the general budget for next year.	X
980 to 254	Campaign on behalf of youth	+ 100,000	24		Comm.Cult. Aff.	X		Unanimous apart from 1 abstention	X
980 to 320	Community contracts for innovation and industrial develop- ment	+ 20m	33		EPD Group		X	Unanimous apart from 1 abstention	X
980 to 3060	Control of poverty	+ 1.5m	43		Comm.Budg.	X		10 votes for, 4 abstentions (see Item 3060)	X

BUDGETARY NOMENCLATURE			OPINION OF THE COMMITTEE ON BUDGETS					RATE	NOT IN RATE
Art.	Subject	Amount	DA	PM	Author	Fa- vour- able	Unfa- vour- able		
980 320	Community contracts to for innovation and industrial development	+ 10m	57		Comm.Budg.	X		9 votes for and 1 abstention	X
980	Non-allocated provisional appropriations (indicative estimate of the possible financial implications of the price revision for the 1975/76 agricultural campaign)	+ 200m		17	Comm.Agr.		X	4 votes for, 4 against and 3 abstentions	
980	Non-allocated provisional appropriations (indicative estimate of the possible financial implications of the price revision for the 1975/76 agricultural campaign)	+ 100m		25	Comm.Budg.	X		10 votes for and 1 abstention	
Chap. 98 for new Chap. 95	Non-allocated provisional appropriations	+ 10m	60		Comm.Budg.	X		11 votes for, by Committee on Budgets on its rapporteur's proposal. This appropriation is to be used subsequently for a new Chapter 95 'Aid to associated countries through private organizations'. A token entry should be made under this chapter for the time being.	X

Total amount represented by the amendments classified as included in the rate and on which the Committee on Budgets delivered a favourable opinion: 6,845,708 u.a.

Total amount represented by the amendments classified as not included in the rate and on which the Committee on Budgets delivered a favourable opinion: 360,300,000 u.a.

Article 203a

By way of derogation from the provisions of Article 203, the following provisions shall apply to budgets for financial years preceding the financial year 1975:

1. The financial year shall run from 1 January to 31 December.
2. Each institution of the Community shall, before 1 July, draw up estimates of its expenditure. The Commission shall consolidate these estimates in a preliminary draft budget. It shall attach thereto an opinion which may contain different estimates.

The preliminary draft budget shall contain an estimate of revenue and an estimate of expenditure.

3. The Commission shall place the preliminary draft budget before the Council not later than 1 September of the year preceding that in which the budget is to be implemented.

The Council shall consult the Commission and, where appropriate, the other institutions concerned whenever it intends to depart from the preliminary draft budget.

The Council shall, acting by a qualified majority, establish the draft budget and forward it to the Assembly.

4. The draft budget shall be placed before the Assembly not later than 5 October of the year preceding that in which the budget is to be implemented.

The Assembly shall have the right to propose to the Council modifications to the draft budget.

If, within forty-five days of the draft budget being placed before it, the Assembly has given its approval or has not proposed any modifications to the draft budget, the budget shall be deemed to be finally adopted.

If within this period the Assembly has proposed modifications, the draft budget together with the proposed modifications shall be forwarded to the Council.

5. The Council shall, after discussing the draft budget with the Commission and, where appropriate, with the other institutions concerned, adopt the budget, within thirty days of the draft budget being placed before it, under the following conditions.

Where a modification proposed 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 modification proposed 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 second or third subparagraph 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.

6. When the procedure provided for in this Article has been completed, the President of the Council shall declare that the budget has been finally adopted.

7. Each institution shall exercise the powers conferred upon it by this Article, with due regard for the provisions of this Treaty and for acts adopted in accordance therewith, in particular those relating to the Communities' own resources and to the balance between revenue and expenditure.

Article 203

1. The financial year shall run from 1 January to 31 December.
2. Each institution of the Community shall, before 1 July, draw up estimates of its expenditure. The Commission shall consolidate these estimates in a preliminary draft budget. It shall attach thereto an opinion which may contain different estimates.

The preliminary draft budget shall contain an estimate of revenue and an estimate of expenditure.

3. The Commission shall place the preliminary draft budget before the Council not later than 1 September of the year preceding that in which the budget is to be implemented.

The Council shall consult the Commission and, where appropriate, the other institutions concerned whenever it intends to depart from the preliminary draft budget.

The Council shall, acting by a qualified majority, establish the draft budget and forward it to the Assembly.

4. The draft budget shall be placed before the Assembly not later than 5 October of the year preceding that in which the budget is to be implemented.

The Assembly shall have the right to amend the draft budget, acting by a majority of its members, and to propose to the Council, acting by an absolute majority of the votes cast, modifications to the draft budget relating to expenditure necessarily resulting from this Treaty or from acts adopted in accordance therewith.

If, within forty-five days of the draft budget being placed before it, the Assembly has given its approval, the budget shall stand as finally adopted. If within this period the Assembly has not amended the draft budget nor proposed any modifications thereto, the budget shall be deemed to be finally adopted.

If within this period the Assembly has adopted amendments or proposed modifications, the draft budget together with the amendments or proposed modifications shall be forwarded to the Council.

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, also by a qualified majority, on the modifications proposed by the latter. The draft budget shall be modified on the basis of the proposed modifications accepted by the Council.

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 and has accepted the modifications proposed by the latter, the budget shall be deemed to be finally adopted. 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 has not accepted the modifications proposed by the latter, the draft budget shall again be forwarded to the Assembly. The Council shall inform the Assembly of the results of its deliberations.

6. Within fifteen days of the draft budget being placed before it, the Assembly, which shall have been notified of the action taken on its proposed modifications, shall act, by a majority of its members and three fifths of the votes cast, on the modifications to its amendments made by the Council, and shall adopt the budget accordingly. If within this period the Assembly has not acted, the budget shall be deemed to be finally adopted.

7. When the procedure provided for in this Article has been completed, the President of the Assembly shall declare that the budget has been finally adopted.

8. A maximum rate of increase in relation to the expenditure of the same type to be incurred during the current year shall be fixed annually for the total expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith.

The Commission shall, after consulting the Conjunctural Policy Committee and the Budgetary Policy Committee, declare what this maximum rate is as it results from:

- the trend, in terms of volume, of the gross national products within the Community;

- the average variation in the budgets of the Member States;
- and
- the trend of the cost of living during the preceding financial year.

The maximum rate shall be communicated, before 1 May, to all the institutions of the Community. The latter shall be required to conform to this during the budgetary procedure, subject to the provisions of the fourth and fifth subparagraphs of this paragraph.

If, in respect of expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith, the actual rate of increase in the draft budget established by the Council is over half the maximum rate, the Assembly may, exercising its right of amendment, further increase the total amount of that expenditure to a limit not exceeding half the maximum rate.

Where, in exceptional cases, 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 three fifths of the votes cast.

9. Each institution shall exercise the powers conferred upon it by this Article, with due regard for the provisions of this Treaty and for acts adopted in accordance therewith, in particular those relating to the Communities' own resources and to the balance between revenue and expenditure.

Comparison of the most important elements of the budget in 1974 and 1975 (in u.a.)

	Appropriations 1974 budget ¹	Appropriations 1975 preliminary draft ¹	Appropriations 1975 draft budget ¹	Difference between appropriations in the preliminary draft and the draft for 1975
I. <u>Agriculture</u>				
- Operational expenditure	4,188,500	6,746,750	2,330,250	- 4,426,500
- EAGGF (Guarantee)	3,425,100,000	3,972,100,000	3,772,100,000	- 200,000,000
- EAGGF (Guidance)	325,000,000	325,000,000	325,000,000	--
II. <u>Social Affairs</u>				
- Operational expenditure	3,316,000 ²	13,373,200	4,510,500	- 8,862,700
- New Social Fund	267,800,000	390,900,000	320,900,000	- 70,000,000
- Original Social Fund	60,000,000	13,400,000	13,400,000	--
III. <u>Regional Policy</u>				
- Regional Fund	token entry	650,000,000	token entry	- 650,000,000
IV. <u>Research - Technology Industry - Energy</u>				
- Research and investment	85,823,819	105,685,905	94,711,490	- 10,974,415
- Other operational expenditure	27,785,000	51,473,000	29,533,000	- 21,940,000
V. <u>Cooperation with developing countries</u>				
- Cooperation with the ACP States, the OCT and OD, and the Maghreb countries	--	50,000,000	--	- 50,000,000
- Food aid	223,000,000	304,600,000	226,000,000	- 78,600,000
- Measures in favour of developing countries	40,436,000	214,152,000	3,797,000	- 210,355,000
	4,462,449,319	6,097,430,855	4,792,282,240	- 1,305,148,615
		B. <u>OTHER EXPENDITURE</u>		
Expenditure not specifically provided for	2,500,000	5,100,000	3,500,000	- 1,600,000
Provision for reimbursement of expenditure incurred by Member States in collecting own resources	294,368,771	397,554,320	378,083,777	- 19,470,543

¹Including appropriations entered in Chapter 98 for operations in these sectors.

- Unclassified expenditure

Article 320 - Community contracts for innovation and industrial development

Article 392 - Expenditure on educational measures

CHAPTER 55 - European Regional Development Fund - Interventions

CHAPTER 56 - European Regional Development Fund - Studies

Article 940 - Original heading - Measures to offset the impact of the crisis on certain developing countries

New heading - UN international emergency measures to assist the developing countries most affected by recent international price movements

- Commission proposals rejected by the Council

(These budgetary items have been deleted by the Council)

Item 4211 - Expenditure connected with deputy controllers and technical controllers

Article 900 - Financial and technical cooperation with the ACP States

Article 901 - Financial and technical cooperation with the ACP States

Article 902 - Guaranteeing of exports revenues

Article 910 - Financial and technical cooperation with the Maghreb countries

Opinion of the Committee on Economic and Monetary Affairs

Letter from Mr Erwin LANGE, Chairman of the Committee on Economic and Monetary Affairs, to Mr Georges SPÉNALE, Chairman of the Committee on Budgets

Dear Mr Spénale,

On 23 September 1974 the Committee on Economic and Monetary Affairs discussed the preliminary draft general budget of the European Communities for 1975.

As a result of this discussion, the Committee on Economic and Monetary Affairs does not wish to submit a formal opinion to the Committee on Budgets; instead, for practical and technical reasons, it requests your committee, in considering the preliminary draft general budget, to bear in mind the following points :

In Chapter 32, Article 320, the Commission provides for an appropriation of 20 million u.a. for Community contracts for innovation (industrial policy), one million u.a. being earmarked for each of twenty projects. It is regrettable that these projects have not been defined in more detail: the Committee on Economic and Monetary Affairs has already had occasion to deplore this lack of precision in connection with the preparation of a Community policy on data processing.

In Chapter 42, Article 422, the appropriation for the operation of an office for the harmonisation of Community undertakings seems very small; the slight increase over last year's allocation will probably do no more than cover the rate of increase in costs.

Chapter 35 indicates that the Commission plans to step up its activity in the field of environmental protection; in general 'the polluter must pay' principle should apply wherever possible to the protection of the environment. In terms of the Community's budget policy this means that expenditure on protection of the environment must be covered primarily by levies for pollution of the environment. A more binding Commission policy on this aspect of environmental protection therefore seems desirable.

The increase from 200,000 to 230,000 u.a. in the appropriation for consumer protection in Chapter 41, Article 415, seems very modest since information and protection of the consumer are an essential aspect of competition and conjunctural policy.

I would ask your committee to take due account of these observations of the Committee on Economic and Monetary Affairs in considering the preliminary draft general budget of the European Communities and remain,

Yours sincerely,

(s) Erwin LANGE

Opinion of the Committee on Agriculture

Draftsman for the opinion : Mr J. SCOTT-HOPKINS

The Committee on Agriculture appointed Mr SCOTT-HOPKINS draftsman for an opinion on 5 September 1974.

It considered the draft opinion at its meeting of 22/23 October 1974 and adopted it unanimously.

The following were present : Mr Vetrone, Vice-Chairman and Acting Chairman; Mr Laban, Vice-Chairman; Mr Scott-Hopkins, draftsman for the opinion; Mr Bourdelles, Mr Brugger, Mr De Keersmaecker, Mr Frehsee, Mr Fruh, Mr Howell, Mr Liogier, Mr Martens and Mrs Orth.

I. Introduction

1. The Budget, in establishing allocations, provides the most important indications of the main policy outlines to be followed by the Community in the coming year.

The draft Budget for 1975 must be examined in order to establish the extent to which these policy directions correspond :

- (a) to the requirements of a coherent agricultural policy and the development of a viable agricultural sector;
- (b) to foreseeable market trends;
- (c) to the maintenance of the EAGGF budget within acceptable limits.

The producer, the consumer and the taxpayer, through national contributions which remain necessary, must all be taken into consideration.

The problem is to see whether money would be well spent as well as how much is to be spent : the true cost of any particular policy is not merely the allocations it requires but also the policies which might otherwise have been adopted and what is going to be achieved by the implementation of that policy. We shall come back to this point in dealing with the allocations for the beef and veal sector.

2. The Budget should also be examined in the context of the Memorandum from the Commission to the Council on the improvement of the Common Agricultural Policy.¹ The Commission in its document emphasized four main objectives to be pursued in the 1973/78 period :

- the scaling down of disequilibria on certain agricultural markets;
- the simplification of some of the machinery of the Common Agricultural Policy;
- the cutting back of expenditure under the Guarantee Section of the EAGGF;
- and the effective implementation of a dynamic socio-structural policy.

3. The Committee on Agriculture, in its Interim Report drawn up by Mr J. SCOTT-HOPKINS, welcomed the broad outlines contained in the Memorandum.²

The extent to which this Budget conforms to the aims set out in the Commission's Memorandum must remain a major preoccupation.

¹ Doc. 251/73

² Doc. 337/73

4. An evaluation of the budgetary allocations for the agricultural sector is complicated by the many uncertainties involved. EAGGF expenditure cannot easily be confined within a rigid budgetary framework. Expenditure is determined by climatic conditions, crop size, as yet unfixed common prices, the situation on the world market and the monetary situation. Moreover, many political decisions, especially concerning beef and sugar, have yet to be taken. Moreover, decisions recently adopted have important budgetary implications; these concern principally the meat and sugar sectors.

In addition, fluctuations in exchange rates, which are continuing to bedevil the Common Agricultural Policy remain a question of fundamental importance.

5. Evaluation of the present proposed Budget presents even more problems than usual. Agriculture in the Community is passing through a very difficult period. Exceptionally high increases in production costs, a changing situation on the world market, together with low prices on the Community market of certain agricultural products, require a constant adaptation of the instruments of the Common Agricultural Policy.

6. An examination of the budget raises the following questions :

- (a) the uncertainties in establishing future Community and world production and market trends : in a number of sectors of Community agriculture (particularly livestock production, cereals and sugar) production costs (which may involve at a later point special market management measures), restitutions and levies depend on the evolution of the American cereals harvest and world sugar production;
- (b) related to this is the fact that the Commission submits its annual report on the situation in Agriculture and the EAGGF financial report at least two months after the Budget;
- (c) moreover, Council decisions have altered the main outlines of the Budget, especially in respect of regional and social policies, closely related to the development of a coherent agricultural policy;
- (d) furthermore, delays in the implementation of structural reform, programmes by Member States will most certainly lead to important allocations being placed in reserve as in past years;
- (e) in addition, fluctuations in exchange rates are continuing to bedevil the Common Agricultural Policy.

7. These problems are thrown into sharp focus when one examines the spirit in which the Budget has been drawn up. The Commission has sought to set an example in the fight against inflation by drawing up its own budget in conformity with the same criteria of rigid economy recommended to national states. This had led the Commission of the European Communities, in drawing up its preliminary draft budget, to be guided by the desire to limit expenditure as far as

possible. Increased expenditure is due mainly to additional items, principally measures in the beef and veal sector, aid to dried fodder and special systems to encourage the growing of soya, with estimates for the majority of items being kept within the limits of the present year. This means, of course, given present rates of inflation, a reduction in real expenditure for existing items compared to previous years.

Projected expenditure on the Guarantee Section of the EAGGF is to increase from 3.513.100.000 to 3.980.475.000, or by 11,33 %. Expenditure on the Guidance Section remains unchanged. This would represent 0.36% of gross domestic product of the Community for 1975, as against 0.35% for 1974 and 0.44% for 1973¹, an increase of only 0.01% of GNP.

8. There are considerable variations in expenditure due to the factors given above which implies, given the financial stringency adopted by the Commission, that :

- on the one hand, the Commission may have recourse to supplementary budgets;
- on the other, flexibility is required in adapting the budget to changing prices and the market situation; the Commission may seek increased flexibility in its financial operation by diverting expenditure from one chapter of the Budget to another; a reserve as originally proposed by the Commission in Chapter 98 is required to introduce the necessary flexibility with recourse to supplementary budgets and diversion of expenditure from one chapter to another.

9. These practices have been deplored on numerous occasions in the European Parliament since they make nonsense of the original Budget proposals.

10. This leads to two general recommendations, recommended by the European Parliament in previous years²:

- (a) that the Commission should include a safety margin in calculating expenditure under the Common Agricultural Policy;
- (b) that the Commission and the Council must take decisions affecting expenditure under the Common Agricultural Policy sufficiently early to allow for the most accurate estimate possible of their financial implications.

11. It is an unfortunate fact that certain supplementary credits and budgets are already envisaged. These are inevitable in view of the fact (as described in greater detail below) that savings made in the Budget do not (with a few exceptions) result from a decrease in expenditure, but from the postponement of the inclusion of certain appropriations

¹ The average for 1970 to 1974 is 0.41%

² See opinions drawn up by Mr H. Vredeling on the 1973 Budget (Doc. 189/72) and Miss Lulling on the 1974 Budget (Doc. 231/73 Annex)

A number of these deletions are important for the long term evolution of Community agriculture :

- the decision of the Council to delete 650 million u.a. set aside by the Commission for the Regional Fund, on the understanding that the necessary credits would be added or included in a Supplementary Budget when a decision to create a Regional Fund will have been taken;
- and the reduction of appropriations for the Social Fund from 280 million u.a. to 210 million u.a.

The Committee on Agriculture on numerous occasions has pointed out 'that the rapid introduction of the regional policy is an essential precondition for the modernization of agriculture'¹, and the truth of this affirmation must be upheld at the present as energetically as in the past.

12. The present budget is based on 1974/75 prices. The Commission had entered a sum of 200 million u.a. under Chapter 98 to cover the necessary readjustments to price proposals for the 1975/76 marketing year. As a result of the Council Decision this sum has been deleted. The increased expenditure will be covered by a supplementary budget.

It is nonsense to exclude forward estimates when it is known that prices will increase to keep up with inflation and production cost increases.

13. It would be preferable that the Commission come forward with supplementary budgets, on which the Parliament will be able to give its opinion, rather than to divert appropriations from one chapter to another. It is desirable, however, that the Commission should put forward its budgetary proposals on the basis of forecasts covering three to four year periods, which facilitate long term estimates and continuous assessment of the costs and advantages of those Community policies having financial implications. The determination of the Council to restrict the 1975 budget as far as possible to the limits of the present budget makes the task of drawing up multi-year forecasts impossible.

II. Appropriations for EAGGF 'Guarantee Section'

14. The present Budget has been drawn up in a spirit of strict economy. No new policy directions are evident. The main changes proposed by the Commission and accepted by the Council represent either belated attempts already decided upon by the Council to deal with the serious beef situation, or reductions in refunds and denaturing premiums as a result of higher sugar and cereals prices on the world market.

¹ Report drawn up by Mr J. de Koning, Doc. 248/74, p. 8.

The absence of any forward looking proposals and adoption of new procedures is made clearer if, for the 'Guarantee Section', a distinction is made between items as follows :

- (a) Community provisions giving rise to continuous expenditure;
 (b) New items entered as a result of transfers of appropriations from one chapter to another :

certain items have been transferred from outside the EAGGF, Chapter 92 on 'Food Aid', to within the EAGGF Guarantee Section, Chapters 60 and 61 'Cereals', and from Chapter 62 'Milk and Milk Products' to Chapter 92¹. These cannot be considered new items in the true sense;

- (c) New Items :

the following items have been added to the draft budget following decisions already taken by the Council :

652	(a) measures to grant aid to control the slaughtering of adult bovine animals, ² to finance reduced price beef and veal to certain consumers ³ and publicity campaigns ⁴	169,000,000
	(b) measures to finance	
734	aid to dried fodder ⁵	10,500,000
735	special system to encourage the growing of soya ⁶	token entry (a supplementary budget will be required)

- (d) Community provisions already adopted by the Council but not yet giving rise to expenditure :

7111	expenditure on aid to private stocking and on compensation for tunny for the canning industry ⁷	token entry (a supplementary budget will be required)
------	--	--

- (e) Provisions not yet adopted by the Council but in respect of which the Council has already taken a general decision :

720	for the common organisation of the market in alcohol ⁸	token entry (a supplementary budget will be required)
732	aid to hops under Article 12 of Regulation No 1696/71, ⁹ provisional expenditure pending a Council decision as to the actual granting and the level of aid	7,200,000

¹ See report drawn up by Miss C. Flesch, Doc. 369/73.

² COM(74) 1260 final

³ COM(74) 1111 final/B

⁴ COM(74) 1156 final/A

⁵ COM(74) 30 final, XVIII, XIX

⁶ COM(74) 552 final

⁷ Articles 15 and 15 of Regulation 2142/70, O.J. No L 236, 1970

⁸ Council Resolution of 28 December 1972, O.J. No C 141, 1972

⁹ O.J. No L 175, 1971

Evolution of expenditure for the EAGGF 'Guarantee Section'

15. Appropriations and expenditure for agricultural products have developed in the following manner :

	Appropriations 1975 (approx.)	Appropriations 1974	Appropriations 1973
Cereals	630,000,000	615,000,000	874,150,000
Milk products	1,527,850,000	1,577,700,000 (1,489,700,000)	1,440,396,000
Fats	342,025,000	308,000,000	275.160,000
Sugar	112,100,000	166,200,000	133,810,000
Meat - bovine	395,000,000	20,500,000	16,090,000
- pork	129,400,000	88,500,000	90,595,000
- poultry	26,000,000	17,600,000	21,500,000
Tobacco	166,400,000	140,000,000	118,000,000
Wine	99,200,000	41,100,000	11,800,000
Fruit and vegetables	83,500,000	68,100,000	34,500,000
Other products (Chapters 71-74)	83,500,000	69,000,000	49,680,000

16. Expenditure distinguished according to its economic nature falls into a number of very uneven divisions, with compensatory aids, mainly intervention expenditure, accounting for approximately 49% :

compensatory aid proper and similar expenditure which can be placed under the same head	approx. 1,935 m u.a.
export refunds	approx. 1,008 m u.a.
expenditure on stocking proper	approx. 618 m u.a.
compensatory amounts for intra-Community trade :	approx. 354 m u.a.
- accession compensatory amounts : 249	
- monetary compensatory amounts : 105	
expenditure for 'withdrawals' from the market and operations which can be placed under the same head (fish and fruit and vegetable sectors)	approx. 70 m u.a.

17. Four items account for 80% of 'Guarantee' appropriations :

milk products	42 %
cereals	17.9 %
beef and veal	9.8 %
oils and fats	9.5 %

These figures, however, are only approximate since monetary compensatory amounts and accession compensatory amounts (mainly concerning milk products, pigmeat and cereals) are relevant to all products with a common market organisation.

18. In accordance with the draft regulation on the financing of food aid expenditure, new items have been entered which in fact merely represent a transfer in entries to Chapter 92, Food Aid, only expenditure for refunds being included under the EAGGF.

Thus, the greater part of food aid expenditure for milk and milk products has been included under Chapter 92. The true change in appropriations for milk and milk products is from 1,469,770,000 u.a. (rather than 1,577,770,000) to 1,527,850,000 u.a.

On the other hand, while appropriations for cereals remain stable, those for denaturing premiums have decreased from 102,000,000 u.a. to 23,500,000 u.a., with increased expenditure being incurred as the result of a new item being added for refunds connected with the Food Gifts programme. For the 1974/75 marketing year there are no premiums granted for the denaturisation of cereals. However, for 1975 23,500,000 u.a. have been entered to provide for the possibility of denaturisation in case the cereal market should change. Given that the Budget has been cut to a minimum in other areas, there is no reason for such caution in the cereal sector and these appropriations must be deleted.

Interventions for milk and milk products diminish, however, due to a decrease in appropriations for the stocking of butter and the reduction of butter fats surpluses. On the other hand, aid to skim milk intended for animal feeding increases, as aid to butter consumption to cover expenditure resulting from the implementation of Regulation No 1191/73¹ to provide for the granting of a consumer subsidy for the sale of butter to socially deprived people at reduced prices.

19. Sugar is another sector showing a decrease in appropriations reflecting the changed market situation, so that the present difficulties of providing for Community supplies and high world prices have eliminated the need for export refunds and special measures to reduce domestic surpluses (such as denaturing premiums, refunds for use in the chemical industry, and stocking). It seems surprising that expenditure on intervention should increase. This is due mainly to increased costs of stocking. Denaturisation of sugar continues for the use of the honey industry, for which 1,600,000 u.a. have been entered. There appears to be no reason, given the present sugar scarcity, for this to be financed by the EAGGF.

¹ See report drawn up by Miss C. Flesch, Doc. 369/73

² O.J. No L 122, 1973, p. 5

Increased expenditure for the sugar sector, however, must be anticipated as a result of present problems in supply for the Community and proposals at present under consideration for the setting up of an import subsidy and a subsidy for 'C' sugar.¹ The Parliament also has before it the Commission's proposals for the revision of Regulation No 1009/67/EEC on the common organisation of the sugar market, to enter into force on² 1 July 1975.

20. The meat sector is the one showing the most marked increase in appropriations, reflecting the serious market situation for beef, pork and poultry. Refunds and intervention on beef and veal go up from 25.5 million u.a. to 337 million u.a. A further 128 million u.a. has been entered to cover expenditure for 'social' beef, publicity campaigns and aids to control the slaughter of adult bovine animals.

The Committee on Agriculture has expressed its doubts that these measures will be sufficient to deal with the problems facing the meat sector, and that measures to promote the sale of meat at reduced prices and publicity campaigns are the most effective use of budgetary resources.³

The poultry industry has equally suffered from vastly inflated production costs, while receiving no material aid. The Committee on Agriculture requests that the Commission come forward with proposals to help this sector.

Monetary Compensatory Amounts

21. Fluctuations in exchange rates have continued to bedevil the Common Agricultural Policy, yet during 1974 a number of steps have been taken to reunify the market. As a result, appropriations for monetary compensation amounts⁴ have decreased from 163 million u.a. to 95.4 million u.a. following the introduction of a new representative rate for the Italian lira closer to the market rate.⁵

22. This figure will be reduced even further as a result of new monetary measures proposed by the Commission :

- the deletion of Article 4a(2) of Regulation 974/71⁶;
- the introduction of a 2 point exemption for monetary compensatory amounts on depreciated currencies⁶;
- and the establishment of a new representative rate for the British and Irish Green £'s⁷.

The reduction will probably be in the order of 30 million u.a. Appropriations for accession compensatory amounts are increased from 200 million u.a. to 248.8 million u.a. on the assumption of increased exports to the United Kingdom.

¹ COM(74) 1593 final; this should amount to 60 - 100 million u.a.

² COM(74) 1570/7

³ Reports by Laban, Cifarelli and Bourdelles, Docs. 203/74, 262/74 and 293/74

⁴ Considered as being part of intervention directed towards the regularisation of the market under Regulation No 3450/73, Article 7, O.J; No L 353/73, p. 25

⁵ Doc. 191/74

⁶ Doc. 248/74; this has not been adopted by the Council so far

⁷ COM(74) 1444 final

23. No relief from either the distortions created in Community trade in agricultural produce (which are far from being fully understood), or from the costs of compensatory amounts can be anticipated until the common agricultural price, the basis of the Common Agricultural Policy, becomes once more a reality. The European Parliament has repeatedly stressed the grave consequences for agricultural policy of monetary fluctuations, and has urged with the utmost force that only progress towards Economic and Monetary Union can prevent the fragmentation of the Common Agricultural Policy.

III. Guidance Section

24. An adequate and operational structural policy is essential for the creation of a viable and efficient Community agriculture, together with the attainment of a better long-term balance in EAGGF expenditure.

25. The breakthrough in the drawing up of a common structural policy in May 1971 raised hopes that price and market policy would be supplemented by real measures for the gradual improvement of agricultural structures and a more balanced market production.

26. The appropriations for the 'Guidance Section' remain stable at 325 million u.a. Since the appropriations for the 'Guarantee Section' have grown, the existing imbalance in favour of the 'Guarantee Section' is emphasized. This imbalance is aggravated by the Council steadily avoiding making practical decisions for the improvement of agricultural structures and delays in implementation by Member States.

This situation is to be deplored, for its implications for agriculture itself and for future agricultural budgets.

27. The only appropriations presently established are for measures already in force, with significant increases restricted to joint structural schemes and premiums to develop beef and veal production (mainly in Italy)¹, as shown below:

Individual projects - Regulation No 17/64/EEC

1975	1974	1973
145,140,000	170,000,000	170,000,000

¹ This appears rather strange in times of a beef surplus.

Joint structural schemes (under Council Resolution of 25 May 1971) for the modernisation of farms, cessation of agricultural activities and guidance and training

1975	1974	1973
66,500,000	15,000,000	-

Joint schemes on marketing and processing for groups of hop producers

1975	1974	1973
400,000	400,000	-

Joint schemes on particular sectors

conversion for cod fishing sector

1975	1974	1973
2,000,000	2,000,000	1,990,000

premiums to develop beef and veal production

1975	1974	1973
23,000,000	7,000,000	-

Special measures

1975	1974	1973
34,000,000	211,000,000	9,556,000

28. On the other hand the list of items on which a decision in principle has been taken but which await adoption by the Council or implementation by Member States is depressingly long :

Art./Item	Heading	Date of submission by the Commission or Decision in principle by the Council
8103	Agriculture in mountainous areas and other less favoured regions : awaiting Council adoption of list of less favoured farming areas and rate of the Community's financial participation	Adopted by the Council January 1974
8104	Areas afforested to improve agricultural structures	Submitted by the Commission in February 1974
8200	Groups of producers and their onions: draft regulation awaiting adoption by the Council	Submitted by the Commission in June 1972
8202	Contracts for the marketing and processing of agricultural products : awaiting Commission submission	Council Resolution of 24 March 1972

8301 & 8302	Conversion in the fishing sector : awaiting Commission submission	Council session 3 & 6 December 1972
832	Statistical survey of fruit trees : closing date postponed by Council directive 74/195/EEC	Council Directive 71/286/EEC
833	Development operations in priority agricultural regions : 50,000,000 u.a. has been entered (and 125 m u.a. set aside from 1972-74) and will be com- mitted when Council has pronounced on the proposal from the Commission	Council Resolution of 21 March 1972
834	1975 structure questionnaire draft Council directive awaiting adoption; 3,960,000 u.a. have been entered	August 1973

29. 146 million u.a. has been entered for individual projecting, constituting the balance (in accordance with Regulation 729/70, Article 6(4)) between appropriations annually available for the Guidance Section and the forecasts of expenditure for the joint schemes and the particular measures.

30. As a result of delays in decision by the Commission on applications for aid, due to lack of staff, it has never proved possible to commit all the funds available. The European Parliament has called upon the Commission to make financial allocations available to allow for the recruitment of the necessary staff.¹

Since 1969, in accordance with a decision of the Council, a fund of 538,525,700 u.a. has been put into reserve for the financing of joint projects within the meaning of Regulation 729/70, Article 6(4), to be used when appropriations established have been exceeded. Parliament has asked repeatedly over the past years for these allocations to be made available in toto for the purposes of reform. The juridical basis of this reserve is still far from being satisfactory. This reserve will be increased by allocations not spent during the present year.

31. A second reserve fund has been set up for development operations in priority agricultural regions, amounting now to 125 million u.a., which will be committed when the Council has pronounced on the proposal of the Commission. This reserve will be increased by allocations not spent during the present year.

¹ Report drawn up by Mr J. Scott-Hopkins, Doc. 199/73

32. Clearly neither the 325 million u.a. for the 'Guidance Section' in 1974, nor the two reserve funds will be spent in 1975. Decisions must be taken with the shortest possible delay on the implementation of the provisions for agriculture in mountainous areas and for priority agricultural areas. Though the allocations are minimal, they represent a first essential step.

33. Beyond this, the allocations in the reserve funds must be committed, before they are eroded even further by inflation. One cannot allow such important allocations to melt away, while at the same time advocating financial stringency.

Once again Parliament must constantly urge that an effective structural policy be put into force for budgetary as well as market reasons.

IV. Conclusions

34. The present Budget, as amended by the Council, has been drawn up in a spirit of financial stringency. No lines of an overall policy to improve market balance and agricultural structures can be seen to emerge, apart from an adjustment to higher world prices and ad hoc measures to deal with the serious situation in the meat sector.

35. Moreover, the existing imbalance between the 'Guarantee' and 'Guidance' Sections has been aggravated.

36. It would help in assessing the Budget if the annual report on the situation in agriculture and the EAGGF financial report were to be submitted with the Budget.

37. The Council has made a number of minor changes from the Commission's Preliminary Draft Budget in the allocations provided for the cereals, milk and olive oil appropriations, without adding any commentary. The European Parliament requests that an adequate explanation of these changes be added to the Explanatory Memorandum issued by the Council.

38. According to Article 16(c) of the Financial Regulations of 25 April 1973, comments in the budget are binding only when it is specifically mentioned. The European Parliament requests that such a comment be added to Article 880 in respect of the reserve fund for the financing of joint schemes and also to Article 833 on the reserve fund for development operations in priority agricultural regions.

39. Though the Memorandum from the Commission has not left any marked impression upon the Common Agricultural Policy, the need for such improvements and, where feasible, reform remains.

The crisis that so recently undermined the confidence of the farmers in the beef, pork and poultry sectors, and which has resulted in a series of new items appearing in this budget, together with the series of ad hoc and increasingly costly measures adopted in the sugar sector, has amply illustrated that day by day market management is prejudicial to the farmer, to the consumer and even to the unity of the Common Agricultural Policy; national governments are led to adopt purely national measures in face of the grave situation confronting their farmers.

Without an adequate statistical basis for policy, the true nature of the problems are concealed. For example, the Commission was unable to answer for a number of months a Written Question¹ put down by Mr L. Martens on differences in the weekly prices quoted for livestock; the final answer demonstrated the lack of information available.

Deprived of adequate information, any review of agricultural costs is reduced to short-sighted analyses. Attempts to develop a better market balance, as between the milk, meat and cereals sectors for example, rest either on :

- reductions of production which can only be mobilised again, when required, at great expense;
- or on stimulating production of a sector which, in revealing deficiencies in management policy, creates surpluses requiring expensive policies to establish a new equilibrium.

In these cases proposals giving the appearance of wide ranging reform (though in fact representing the total of a series of short-term adjustments), have little chance of success.

40. The time has now come, as underlined by the recent crisis in the meat sector, for a fundamental review of the Common Agricultural Policy. A first step must be the improvement of the statistical base upon which market and management policy is based.

As a second step would it not be better for the Commission to identify and propose solutions to the central problems? In this connection the Committee on Agriculture has repeatedly drawn the Commission's attention to the need for measures, in cooperation with Member States, for the improvement of marketing networks.²

¹ O.J. No C 12, 9.2.1974, pp. 6 & 7

² See reports drawn up by Mr Laban (Doc. 203/74) and Mr Bourdelles (Doc. 293/74)

41. The Committee on Agriculture requests with the utmost urgency that measures for the implementation of structural reform, to aid mountainous areas and priority agricultural areas be implemented with a minimum of delay; the reserve fund should be used for these purposes if necessary.

42. Equally important, the instruments of market policy should be adapted to achieve a balanced market.

43. In conclusion, there are two points which must be stressed once again. Firstly, that progress towards Economic and Monetary Union is essential to preserve the cohesion of the Common Agricultural Policy. Secondly, that the EAGGF should be provided with sufficient staff to allow reliable supervision of expenditure and avoid the credibility of the agricultural policy being undermined in the public eye.

Opinion of the Committee on Regional Policy and Transport

Draftsman for the opinion : Mr Delmotte

At its meeting on 22.10.74, the Committee on Regional Policy and Transport appointed Mr Delmotte draftsman of the opinion.

At the same meeting it considered the draft opinion and adopted it by 11 votes to 2 with one abstention.

The following were present: Mr James Hill, chairman, Mr Mitterdorfer, vice-chairman, Mr Delmotte, rapporteur, Mr Colin, Mr Creed, Mr de Clercq, Mr Fabbrini, Mr Fläming (deputizing for Mr Gerlach), Mr Giraud, Mr Herbert, Mr Kavanagh, Mr Marras, Mr Mursch, Mr Pêtre.

1. At the Paris Summit Conference in October 1972, the Heads of State or Government placed great emphasis on the implementation of a Community regional policy. This was confirmed at the Copenhagen Summit Conference in December 1973 when the Heads of State or Government reaffirmed their undertaking to set up a European Regional Development Fund by 1 January 1974.

2. Although it has devoted several meetings to this subject, the Council has been unable to adopt a decision. Its discussions have been retarded by the question of the Fund's size and purpose.

3. The creation of a European Regional Development Fund is nevertheless urgently necessary in order to prevent any aggravation of the structural in the Community.

The current economic difficulties are liable to result in a slackening of general economic expansion that would particularly affect the least-favoured regions (reduced investments, etc.).

Agreement by the Council to the creation of the Fund would help to smooth the way for the construction of Europe and would in any case be desirable from a psychological point of view.

4. It would be superfluous to list all the work done by the European Parliament, particularly in 1973, on the subject of regional policy and the Regional Fund¹, but the concern it expressed in 1974 at the Council's failure to meet its obligations within the time-limits fixed should be recalled here.

5. When, on behalf of our committee, your rapporteur on regional policy put an oral question with debate (No 194/73)² to the Council in plenary sitting on 13 February 1974, he stressed the urgent need for decisions to be taken on a minimum of 2,250 thousand million u.a. for the Fund and emphasized the Council's failure to respect the obligations placed on it by two successive Summit Conferences.

¹ - Interim report on Community regional policy (Doc. 120/73), OJ No C 62, 31 July 1973, page 33.
- Second report on the European Regional Development Fund and on the Committee for Regional Policy (Doc. 228/73), OJ No C 108, 10 December 1973, page 51.
- Report on the list of regions and areas qualifying for support from the Fund (Doc. 276/73), OJ No C 2, 9 January 1974, page 49.

² OJ No C 23, 8 March 1974, page 28.

6. The obvious inadequacy of the Council's reply led the European Parliament to adopt a resolution on Community regional policy¹ on 13 March 1974 which listed all the main aspects giving rise to concern: timetable of action to be taken, priority regions on which aid should be concentrated and the need for a comprehensive common regional policy taking account of the social and human factors of development and the opinions of the regions concerned.

7. On 11 July 1974, the European Parliament debated oral question No 142/74 put by Mr Creed on behalf of the Christian-Democratic Group to the Commission on the latter's new proposals.

The Commissioner responsible gave an account of the work done by the Commission before submitting the new compromise proposals which should make it possible for agreement to be reached on the creation of a European Regional Development Fund; although this fund would be smaller it would still concentrate more resources on the least-favoured regions.

¹ OJ No C 40, 8 April 1974, page 26.

Pending such agreement, the Commissioner stressed the need to expand the role that the existing Community machinery (ESF, EIB, EAGGF) could play at regional level to prevent the situation from stagnating.

Finally, the European Parliament felt that an oral question with debate should be put to the Council as soon as possible.

8. At the sitting of 26 September 1974, Lord O'Hagan put a question (No 5) to the Council on the creation of the Fund, to which no satisfactory reply has been given.

9. Since then, the Council has decided to delete from the preliminary draft budget of the Communities for 1975 the appropriation of 650 m.u.a. proposed by the Commission for the European Regional Development Fund for the next financial year.

Rather than putting general questions to the Council which remain unanswered, and in an attempt to clarify this point and have the appropriation re-entered in the budget, the Committee on Regional Policy and Transport decided unanimously on 2 October 1974 to put the following question to the Council with a request that it be debated by the emergency procedure; a reply should be given at the November 1974 part-session:

'As the Council deleted from the preliminary draft budget of the Community the appropriation of 650 m.u.a. proposed by the Commission for the European Regional Development Fund in 1975,

1. Is it to be concluded that the Council no longer considers itself bound by the principle of creating this Fund before 31 December 1973 (when the clock was stopped!...) or even before the next financial year?
2. In view of its failure to take a decision in 1973, does the Council not consider this amount to be inadequate since provision should be made for carrying forward 1974 appropriations to the financial year 1975¹?
3. As evidence of its political determination, the maintenance of European solidarity and the imperative need for a solution, does the Council agree to enter an initial appropriation of at least 300 m.u.a. for the first year, earmarked for priority objectives of rational programmes in the least-favoured regions?
4. What are the political difficulties that might prevent compliance with this request?'

¹ In its opinion on the Fund, the European Parliament requested an appropriation of 2,250 m.u.a., of which 500 would be for 1974 and 750 for 1975, in other words 1,250 m.u.a. for the two years (OJ No C 108, 10 December 1973).

10. The Committee on Regional Policy and Transport is aware that discussion of the amount to be granted to the Fund has prevented a decision on the creation of the Fund within the time limits set, and has therefore, in its question to the Council, proposed an amount of 300 m.u.a., which is far lower than the figures proposed by the Commission or those originally requested by the European Parliament.

Our committee therefore feels that there should be even stronger opposition to the dispersal of aid which should be used for priority objectives in the least-favoured regions. This small amount should be used rationally and coherent development programmes should be submitted. If they cannot be submitted during the financial year, it will still be possible to carry forward the available appropriations to subsequent financial years; this possibility is expressly provided for in the financial regulation for the Regional Fund.

11. The Council has failed to meet its political obligations and commitments. The European Parliament cannot condone such an attitude. It has a political duty to remind the Council of its commitments. The European Parliament cannot reconcile itself for a second year to a mere token entry in the budget.

12. The budget cannot be regarded simply as a record of decisions already taken by the Council; if it were, the European Parliament's budgetary powers would be reduced. The budget must be a politically significant document in which the European Parliament adopts a position on new policies by entering the funds necessary to implement them.

The possibility of a supplementary budget during the financial year is also no guarantee, since there may be a shortage of funds during the year.

If, however, an appropriation much lower than the original estimates were now entered in the budget, it will be all the more easy for the Council to reach a decision, especially as if failing the submission of rational programmes, the appropriation is not used up, the possibility of carrying it forward to subsequent financial years is a guarantee to the Council that funds will not be wasted.

13. In conclusion, therefore, the Committee on Regional Policy and Transport requests the Committee on Budgets to enter an appropriation of 300 m.u.a. in Chapters 55 and 56 for the European Regional Development Fund.

The Committee on Regional Policy and Transport leaves it to the Committee responsible to classify this appropriation in the proper category.

OPINION OF THE COMMITTEE ON PUBLIC HEALTH AND THE ENVIRONMENT

Draftsman : Mr JAHN

At its meeting of 22 October 1974 the Committee on Public Health and the Environment approved a proposal from Mr Jahn, vice-chairman, that it should deliver an opinion on those parts of the draft general budget of the European Communities for 1975 which fall within its terms of reference.

On 22 October 1974 the committee considered the draft opinion drawn up by Mr Jahn and adopted it unanimously.

The following were present: Mr Della Briotta, chairman; Mr Jahn, vice-chairman and draftsman of the opinion; Mr Adams, Mr Martens, Mr E. Muller, Mr W. Müller, Mr Noè, Mrs Orth, Mr Springorum and Mr Walkhoff.

I. General remarks

1. As pointed out in the Commission's foreword to its preliminary draft general budget for 1975, in formulating its proposals the Commission went as far as it could to hold down expenditure. For example, no increases in staff were proposed except for staff with highly specialized qualifications (e.g., language service and data-processing specialists).

Despite these obvious and drastic economy measures on the part of the Commission, the Council felt it necessary to introduce cuts amounting to about 15 to 20% in many of the budget items. The budget headings falling within the terms of reference of the Committee on Public Health and the Environment have been particularly seriously affected by these cuts.

2. The committee can endorse only some of the Council's cuts. It must be taken into account that nearly all the appropriations earmarked by the Commission are required to finance measures based on decisions of principle adopted by the Council.

This is especially true of the appropriations which are indispensable for the implementing measures under the programme of action of the European Communities on the environment of 22 November 1973.¹

The committee therefore feels obliged to recommend in this opinion that in some of the budget items the appropriations requested by the Commission should be reinstated. This course appears to be all the more justified as the 'Remarks' column of the draft general budget for 1975 contains no explanations whatever for the Council's cuts.

The committee has therefore decided to table draft amendments relating to a number of budget items, and these will be discussed further below.

In the case of other items falling within its terms of reference (2530 - Mines Safety and Health Commission; 2531 - General Committee on Industrial Safety; Article 255 - Miscellaneous expenditure on the organization of and the participation in, conferences and congresses and in meetings organized outside the places of work of the Institution; 3501 - Travel expenses and subsistence allowances for meetings concerned with public health and the environment; 3502 - Experts' fees and costs of studies in the field of public health and the environment; 3571 - Environmental projects), the committee has approved the cuts introduced by the Council since they appeared to be warranted in view of the need for economies at both national and Community level.

¹ OJ No. C 112, 20 December 1973

II. Brief justification of the draft amendments

3. Chapter 25 - Expenditure for formal and other meetings

Article 251: Committees

In its preliminary draft general budget for 1975 the Commission asked for a total of 2,500,000 u.a. under this article, as against 2,000,000 u.a. approved by the Council for 1974. According to the Commission the additional expenditure is required to cover rises in transport costs and the setting-up of new committees necessitated by the development of Community policies. One of these new committees is the Advisory Committee on Consumers, set up by decision of the Commission at the end of 1973.

The Council has cut the proposed increase in appropriations by half, i.e., from 500,000 u.a. to 250,000 u.a.,

In view of the setting-up of the Advisory Committee on Consumers and other committees, the Committee on Public Health and the Environment considers the total appropriation of 2,500,000 u.a. requested by the Commission to be fully justified.

4. Chapter 26: Expenditure on studies, surveys and consultations

Article 267: Studies relating to consumer protection

This is a new article under which appropriations are earmarked for studies on the implementation of consumer programmes. The Commission entered 90,000 u.a. for this purpose. The Commission rightly points out in this connection that the Council has undertaken to take a decision in 1974 on the proposal for a preliminary consumer programme. Its implementation must therefore be started in 1975. The appropriations are intended to cover preliminary studies on:

- (a) the effectiveness of food regulations in protecting the consumer (point 71 of the programme),
- (b) possibilities of improving labelling (point 81 of the programme),
- (c) contacts with consumer associations.

The Commission points out that it will in the future continue to support these consumer associations in their efforts to organize themselves better at European level, to consult consumers, deliver detailed opinions and collaborate in the working out of guidelines.

It is therefore inexplicable that the Council should totally omit Article 267 from its draft general budget for 1975, which means that the entire appropriation of 90,000 u.a. proposed by the Commission has been deleted.

The committee therefore insists that the appropriation proposed by the Commission should be reinstated in the draft budget.

5. Article 350: Cost of meetings and experts' fees for activities in the field of public health and the environment
Item 3503: Conferences

The Commission provided for an appropriation of 44,000 u.a. under this item, to cover the organization of:

- an international symposium on tritium and its implications for health and ecology;
- a seminar on radiological protection;
- a seminar on information and training in the field of radiological protection;
- a seminar on the reference level of radioactivity to be applied for the protection of the general public.

The Council has cut this appropriation by 24,000 u.a. thus leaving available for the proposed conferences no more than 20,000 u.a. This would mean that some of these seminars, which are important from the point of view of public health, would have to be abandoned.

The committee therefore insists that the appropriation under this heading should be raised to 44,000 u.a., the sum requested by the Commission.

6. Article 355: Community measures to improve the health and safety of the population and the workers on site

Item 3550 - Health measures in respect of air and water.

Item 3550 covers appropriations needed to finance new projects under the European Communities' action programme on the environment and to protect the general public against pollution and nuisances. Some of these projects will supplement exploratory studies and consultations undertaken in previous years. For this purpose the Commission earmarked 385,000 u.a. as against 350,000 u.a. authorized for 1974.

The Council has cut this appropriation by 35,000 u.a., leaving only 350,000 u.a. available in 1975, as in the previous year. This cut-back is not justified since the Council itself adopted the programme on the environment, which provides for new projects in 1975.

The committee accordingly requests that the appropriation under Item 3550 should be raised to the figure earmarked by the Commission, namely 385,000 u.a.

7. Item 3551 - Health measures at place of work

The appropriation of 162,000 u.a. requested by the Commission for 1975 is to cover the financing of research and information activities under the Community programme on the environment and under the safety programme, which itself comes partly under the environment programme and partly under the social action programme.

For 1974 the Council authorized 100,000 u.a. for this purpose.

The Council has cut the appropriation entered by the Commission by 30,000 u.a., leaving only 132,000 u.a. available.

Here again the appropriation relates to binding Council decisions under the environment programme and the safety programme, and the Council should have accepted the financial implications of its decisions and approved the proposed appropriation in full.

8. Article 356 : Grant towards the operation of the Foundation for the Improvement of Living and Working Conditions

The Commission entered 4,500,000 u.a. under this heading for 1975. This was intended to meet the financial implications of the Commission's proposal for a regulation on the setting up of a European Foundation for the Improvement of Living and Working Conditions. The proposal was submitted to the Council as long ago as December 1973. It was approved by the European Parliament in June 1974, subject to a few amendments.

In its comments, the Commission rightly calls attention to the fact that this new project represents, in terms of its financial implications, by far the most important undertaking in the field of health and environmental protection, and that it is justified in view of the urgency of the problems on which the Foundation is to work and, not least, the long-term savings that may be expected through the adoption of a scientific solution.

It is all the more regrettable that the Council has included only 100,000 u.a. for this purpose under Chapter 98 'Non-allocated provisional appropriations.'

The Council justifies its decision by claiming that the sum of 100,000 u.a. is sufficient to allow a start to be made with this project.

The committee notes with regret that the Council's action would further delay the setting up of this foundation after efforts which have already extended over a number of years. It therefore requests emphatically that the sum of 1,500,000 u.a. should be entered under Article 356

.../...

for the 1975 financial year. Such an appropriation would, it feels, be adequate for the launching stage of this foundation.

9. Article 357 : Community environmental protection measures

Item 3570 - Environmental studies

This is a new article which corresponds to Article 267 in earlier budgets. Here again, as the Commission points out, the appropriation is needed to cover the financial implications of the programme for the environment adopted by the Council on 22 November 1973.

The Commission entered a sum 1,100,000 u.a. under Item 3570, as against 800,000 u.a. approved for 1974. The Council has reduced this sum by 140,000 u.a, leaving only 960,000 u.a.

The committee regrets that the Council has not acknowledged the financial implications of its decision of 22 November 1973 on the implementation of the programme for the environment. It therefore requests the reinstatement of the appropriation of 1,100,000 u.a. under Item 3570.

10. Article 415 : Consumer projects

This appropriation of 230,000 u.a. (as against 200,000 u.a. authorized for 1974) is intended to help consumer organizations to adapt themselves better to activities at European level and to finance action undertaken by these organizations in the course of their duties.

In its remarks the Commission justifiably points out that the increase in the appropriation under this article is small in the light of the experience gathered in 1973 and 1974 in this area and the great value of these activities. In this context it is important to remember that a rational consumer policy makes a substantial contribution to price stability, an objective for which the Council has recently given increased support.

It is therefore difficult to understand why the Council has cut back this modest appropriation by 30,000 u.a., leaving only 200,000 u.a.

The committee emphatically requests that the appropriation be increased to 230,000 u.a., bearing in mind, among other considerations, the Council's undertaking to take a decision on the Commission's proposal for a preliminary consumer programme before the end of this year. It stands to reason that the financial implications of this consumer programme will be reflected in the 1975 budget.

Opinion of the Committee on Energy, Research and Technology
Draftsman : Mr M. COINTAT

The Committee on Energy, Research and Technology
appointed Mr COINTAT draftsman of an opinion on
7 October 1974.

It considered the draft opinion at its meeting of
28 October 1974 and adopted it unanimously.

The two draft amendments to the 1975 draft budget annexed
hereto had already been agreed in principle at the meeting of 7
October 1975.

The following were present:

Mr SPRINGORUM, chairman; Mr LÉONARDI, vice-chairman;
Mr COINTAT, draftsman; Lord BESSBOROUGH, Mr BURGBACHER,
Mr COVELLI, Mr DELMOTTE (deputizing for Mr NØRGAARD),
Mr FLÄMIG, Mr GIRAUD, Mr GLESENER, Mr HOUGARDY, Mr JAKOBSEN,
Mr KATER, Mr de KEERSMAEKER (deputizing for Mr VANDEWIELE),
Mr KRALL, Mr LAUTENSCHLAGER, Mr W. MÜLLER, Mr NORMANTON,
Mr NOÉ, Mr PETERSEN and Mr VETRONE (deputizing for
Mr ANDREOTTI).

I. Introduction

On 5 October 1974, the Council forwarded to the European Parliament the draft budget of the European Communities for the 1975 financial year. This draft was adopted by the Council on 24 September on the basis of a preliminary draft submitted by the Commission of the European Communities.

The total draft general budget for 1975 amounts to 5,750,000 million u.a. This sum includes 94,711 million u.a., covering a staff of 2,183 persons, entered as payment appropriations under Chapter 33 'Statement of revenue and expenditure relating to research and investment activities' and Chapter 98 (non-allocated provisional appropriations) of the Commission's budget.

These 94.711 million u.a. are to be compared with the 75 and 84 million u.a. included in the 1973 and 1974 budgets respectively. In spite of a slight increase, the proportion of research appropriations in the total budget for 1975 is still limited to about 2%.

Before examining more closely the composition of the draft research budget, it should be recalled that it is drawn up in accordance with a method defined in the 'Financial Regulation applicable to the general budget of the Communities' (Regulation 73/97, OJ L 116 of 1 May 1973).

This regulation provides in particular that sums authorized annually as part of the budget to cover research and investment expenditure shall comprise commitment appropriations and payment appropriations.

According to Article 95(3) of the Financial Regulation, the commitment appropriations constitute the upper limit of expenditure which the Commission is authorized to commit during the financial year in question for the implementation of the corresponding transactions. The payment appropriations (Article 95 (4) of the Financial Regulation) constitute the upper limit of expenditure to be paid or authorized, during each financial year to cover the commitments entered into during the previous financial year or years.

II. Structures of the draft research and investment budget for the 1975 financial year.

The revenue and expenditure on research and investment proposed by the Council can be stated in outline as follows.

III. General remarks

1. The draft budget is incomplete and provisional

It is not a matter for the Committee on Energy, Research and Technology to venture into the budgetary labyrinth and encroach on the powers of the Committee on Budgets.

However, it can only note with regret that the documents which have been submitted to it regarding research do not constitute a real budget but only a provisional interim revenue and expenditure account.

This draft covers only the staff salaries for the year and projects to be undertaken for a period of only four months.

No financial reserve has been set aside to cover the repercussions of the new staff regulations which are being prepared, and it would be advisable to clarify this point.

In fact, the Council has for the moment merely set a ceiling for the appropriations at half the amounts still available from the multi-annual programme, given that it still has two years to run (1975 and 1976).

2. There is no provision for any overall research policy

The Council draft is an operational budget and relates to the continuation of research projects already decided upon.

The multi-annual research programme which terminates in 1976 has not been reviewed. No means have been evolved for defining a coherent research policy for the future.

Of 42 million u.a. allocated for direct actions in 1975, more than 30 million will be used for the payment of staff salaries.

In fact, the only effect of the 1975 budget will be to pay the officials.

The least that can be said is that it is not to be taken seriously.

There is no revised multi-annual programme and no new projects and not even any plans for coordination of national research policies.

At a time when the Community is faced with the energy crises, at a time when the world is entering an age of shortages, it is particularly regrettable that the Council has not taken the opportunity presented by this worrying situation to draw up a new common strategy for research.

<u>1. Direct action</u>	Commitment appropriations	Payment appropriations
Appropriations entered under Chap. 33 (Section III, Commission) Research and investment expenditure	42,165,400	42,738,731 ¹
Non-allocated provisional appropriations (Chap. 98, Section III, Commission)	12,886,440	13,781,192
	<hr/> 55,051,840 u.a.	<hr/> 56,519,923 u.a.

The 42,738,731 u.a. represent in fact the total of the amounts provided for direct actions at the expiration of the 1974 budget plus the appropriations for 'training' and 'research under contract' projects.

The appropriation of 13,781,192 u.a. included under Chapter 98 can only be transferred to Chapter 33, according to the Council, subject to the decision to be taken on the proposals for the revision of the multiannual programme.

<u>2. Indirect action</u>	Commitment appropriations	Payment appropriations
Joint programmes (Title 3)	10,919,893	32,598,657
Complementary programmes (Title 5)	488,115	1,591,910
	<hr/> 11,408,008 u.a.	<hr/> 34,190,567 u.a.

<u>3. Eximbank loans operation</u>	Commitment appropriation	Payment appropriation
	4,001,000 u.a.	4,001,000 u.a.

¹ Including 34,460,013 u.a. for joint programmes
and 7,676,799 u.a. for the complementary programmes
601,919 u.a. for staff awaiting assignment to new work
at Petten

This draft budget is a contradiction of the resolution adopted by the Council on 17 September 1974 stating its willingness to organize a common energy policy to face the current difficulties.

IV. Analysis of the draft research and investment budget

1. Limitation of appropriations to research projects already decided upon

The Commission had prepared the preliminary draft budget with allowance for the budgetary implications of the proposals for revision of the multi-annual programme, the overall budget for which is 178 million u.a.

These proposals included, on the one hand, a revision of the programmes within the limits of a constant volume, new projects being compensated by abandoning old projects; on the other hand, a revaluation of the overall budget to take account of economic developments. This revaluation was fixed at + 50 million u.a.

For 1975, the Commission's preliminary draft budget amounted to 66 million u.a. for direct actions.

During its July part-session, the European Parliament approved the principle of this programme revision when adopting the report by Mr Flämig submitted on behalf of our committee (Doc. 161/74 - Resolution OJ C 93).

In its draft budget the Council reduced the sum for direct actions to 56.5 million u.a., (payment appropriations) 13 million of which are at the moment not yet allocated, i.e. blocked

The amounts eliminated relate essentially to the following items:
Commitment appropriations

- 1.3 million u.a. for the Petten Centre
- 2.5 million u.a. for the JRC (Joint Research Centre) to prepare a future research programme
- 2.8 million u.a. for adjustment of salaries following the correction to the index of one Member State
- 1.25 million u.a. to ensure safety at existing installations and to protect the environment

The Committee on Energy, Research and Technology, being bitterly and profoundly shocked by the submission of a draft budget for 1975 which is no such thing, and which does not provide for any original overall research policy, demands that at the least

- the 13 million u.a. not allocated should be transferred to Chapter 33 to enable forecasts to be made of work for the whole of the year,
- 3.75 million u.a. should be added to the 1975 budget, in accordance with the Commission's proposals, to allow a future programme to be drawn up and to ensure the safety of the installations.

It is essential to consider at an early date the action to be undertaken during the next few years to escape from the present uncertainty and in order not to give a great many people the impression, rightly or wrongly, that the research budget represents a waste of money rather than a desire to undertake serious work.

Nor is it acceptable for the existing Community installations to continue to present hazards for man and the environment. In the event of an accident the Community might be held responsible.

2. The problem of Petten

Uncertainty surrounds the future of Petten.

A decision must finally be taken by the Council:

- either it thinks that the Petten Centre is only of limited interest to the Community and the establishment should be closed,
- or it believes that the Centre should be preserved, in which case its function must be defined quickly and it must be given a programme of work with adequate financial resources and staff.

At the time the decisions on the multinational programmes were taken, the Petten establishment comprised 150 staff. A supplementary EPR programme was worked out involving the use of 95 staff, but there were still 70 staff supernumerary.

Today only 52 are supernumerary:

- 32 are being kept on by means of appropriations intended for Ispra, but are carrying out research work which is as nebulous as it is imprecise,
- 20 are being paid on a book-keeping basis dreamed up by those responsible at the Commission, the purpose of which can be praised only for its spirit of social welfare.

These practices are reprehensible. The situation is unacceptable.

The Committee on Energy, Research and Technology insists on a clear decision being taken about the Petten Centre very soon.

As a result of the visit by a delegation from the European Parliament to the Centre on 23 October 1974, our Committee feels that the Petten Centre should be preserved in the interests of Community research, but firmly insists that the present uncertainty be terminated.

3. Inadequacy of appropriations for complete implementation of the multi-annual research programme

The multiannual research programme provided for a total allocation of 178.7 million u.a. for direct actions. 92.485 million u.a. have already been committed for the financial years 1973 and 1974. There remains 86.2 million u.a. This explains the Council's simple solution of splitting this appropriation equally between 1975 and 1976 and the figure of 42.7 million u.a. is in fact entered in the draft budget.

If the non-allocated 13 million u.a. are added, the figure rises to 56 million u.a. in 1975. The funds available for 1976 will therefore be no more than 30 million u.a., which would not even allow the staff to be paid.

If the multiannual programme is to be carried out in full and tangible results are to be achieved, the reassessment of the financial ceilings laid down at the beginning must be decided as a matter of urgency.

The committee once again calls attention to the need to revise the multiannual programme, in accordance with the position adopted by the European Parliament last July.

4. New research projects

The preliminary draft budget submitted by the Commission introduced under Title 3, Chapter 3, new budgetary lines designed to contain appropriations for research projects in the industrial and energy fields. These were indirect actions involving token entries and related to :

- plutonium recycling,
- management and storage of radioactive waste,
- nuclear ship propulsion,
- solar energy,
- geothermal energy,
- hydrogen economy,
- study of system models,
- energy economy.

The Commission indicated in its preliminary draft that the appropriations needed for these projects were only token entries because the proposals relating to these projects were still in preparation.

In its draft budget the Council preferred to delete these budgetary lines since no decision on these research projects had yet been taken.

On many occasions our committee has emphasized the need to strengthen Community research on energy. In this same spirit it considers that these various chapters should be re-entered in the 1975 budget and invites the Commission and the Council to promote these research projects at an early date.

5. European data-processing network (Cost 11)

The draft budget for 1975 provides for a payment appropriation of 0.34 million u.a. for this project. Our committee and the European Parliament have always disputed the legal basis of the Cost agreements concluded by the Community. In the committee's view, the conclusion of such agreements would be allowed only under Article 235 or 236 EEC (203 or 204 EAEC).

V. Conclusions

To sum up, the Committee on Energy, Research and Technology:

- would like to see a proper budget programme established for research, soon enough to avoid any break in continuity;
- urges that the multiannual programme should be revised as soon as possible, particularly the financial aspects, to ensure that it is carried out according to the timetable laid down;
- requests that new projects should be considered, in particular to tackle the energy crisis;
- would like the 13 million u.a. entered under Chapter 98 to be transferred to Chapter 33;
- requests an increase in the budget by 3.75 million u.a. in commitment appropriations and of 2.8 million u.a. in payment appropriations in order to prepare for future activities and to ensure the safety of existing installations;
- considers that a clear and positive decision should be taken on the Petten problem in order to put an end to the present situation;
- asks for details on the future Staff Regulations;
- finally, recalls the need to define a common research policy and to coordinate national activities.

The budgetary implications of the above requests are given in the two draft amendments to the draft budget for 1975 annexed to this Opinion¹.

¹ PE 38.298/Ann.I/fin.

² PE 38.298/Ann.II/fin.

Opinion of the Committee on Cultural Affairs and Youth

Draftsman : Mr H. SEEFELD

The Committee on Cultural Affairs and Youth appointed Mr SEEFELD draftsman of an opinion on 4 October 1974.

It considered the draft opinion at its meeting of 24 October 1974 and adopted it unanimously.

The following were present: Mr McDonald, acting chairman; Mr Walkhoff, acting rapporteur; Mr Brewis (deputizing for Lord Lothian), Mr Carpentier (deputizing for Mr Caillavet), Mr Howell, Mr Klepsch, Mr Laban, Mr Pisoni, Mr Schulz, Mr Thornley and Mr Vandewiele (deputizing for Mr Giraudo).

Introduction

This brief opinion contains a few general comments on the amendments to the preliminary draft budget tabled by the Committee on Cultural Affairs and Youth.

As decided at its committee meeting of 4 October 1974, the Committee on Cultural Affairs and Youth has confined itself to proposals for appropriations based on opinions or resolutions of the European Parliament, or recognized as politically necessary by Parliament as a whole. The committee believes that Parliament should not go back on its decisions or abandon what it previously considered necessary just when the budget is about to be debated.

I. Proposals based on a resolution of the European Parliament

1. The European Youth Forum (Art. 254)

At its meeting of 21 March 1974 the Committee on Cultural Affairs and Youth gave its support to the setting up of a 'youth forum', after considering the Commission's communication on the action to be taken on point 16 of the Hague Communiqué.

The report drawn up by Mr SEEFELD on this matter and the motion for a resolution were adopted by the European Parliament at its sitting of 11 June 1974.

2. Resolution on the communication on education in the European Community (Art. 392)

At its meeting of 8 April 1974 the Committee on Cultural Affairs and Youth approved the communication from the Commission on education in the European Community. This communication, which provided for, among other things, the creation of a Committee on Education, comprised a financial annex in which a cost estimate was given for the proposed measures. The report drawn up by Mr SCHULZ on this matter and the motion for a resolution were unanimously adopted by Parliament at its sitting of 23 April 1974.

3. Resolution on the proposal for a regulation on the establishment of a European Vocational Training Centre (Art. 301)

At its meeting of 19 June 1974 the Committee on Cultural Affairs and Youth adopted an opinion drawn up by Mr Knud NIELSEN on this proposal and, at its sitting of 25 September 1974, on the basis of a report by the Committee on Social Affairs and Employment (Pisoni report - Doc. 231/74), Parliament adopted a resolution containing an amended text in respect of the proposed regulation.

Parliament approved the proposal of the Social Affairs Committee that 2,200,000 u.a. be allocated to this Centre. (The Commission had proposed 1,200,000 u.a.)

II. Proposals for projects considered as politically necessary

1. 1974/75 Information Programme of the Commission (Art. 272)

At its meeting of 8 May 1974 the Committee on Cultural Affairs and Youth adopted a report on this programme by its chairman, Mr BRIEKSZ, and at its sitting of 12 June 1974, Parliament unanimously adopted the resolution at the end of the report.

The resolution supported, among other things, the Commission's plan to set up branches of the information offices established in the capital cities and to develop its information activities.

2. Information of Youth (Art. 273)

This project was given particular emphasis in the Commission's information programme and Parliament also supported the Commission's plans in this sector.

3. Exchange of young workers (Art. 302)

This project was included in the Commission's social action programme. The Committee on Cultural Affairs and Youth has always supported action on these lines for the benefit of young workers and regards it as a matter of special importance for the Community.

Conclusion

After considering the appropriations entered in the 1975 draft budget in those areas of activity for which it is responsible, the Committee on Cultural Affairs and Youth has tabled eight amendments, as follows:

- Article 254 : Projects benefiting youth

The committee has entered under chapter 98 the appropriations necessary to set up this forum in 1975.

- Article 272 and certain chapters (21, 22, 23) concerning administrative expenditure.

The committee has restored the appropriations asked for by the Commission, which it considers essential for the development of information activities within the Community and in third countries. It has also entered one extra unit of account against Article 272 to prompt the Commission to develop its information activities through audio-visual systems.

- Article 273: Information of youth

The committee has increased the grant proposed by the Council with a view to adjusting the appropriations to the rise in prices so that these information activities may at least be maintained.

- Article 301: European Vocational Training Centre

The committee has entered for this Centre one half of the appropriations asked for by Parliament for 1975, to cover the period July - December 1975.

- Article 302: Exchanges of young workers

The committee has restored under chapter 98 the appropriations proposed by the Commission and has asked the latter to increase its activities in this field.

- Article 392: Measures in the education field

For this article the committee has entered an amount which should allow the Commission, from the beginning of the 1975 financial year, to take the measures in respect of education proposed by the Council of Education Ministers at their meeting of 6 June 1974.

- Article 410: Subsidies for institutes of higher education

The committee is proposing an amount which would allow the subsidy granted to the Bruges College and unchanged for several years to be doubled.

Opinion of the Committee on Development and Cooperation

Draftsman of the opinion : Mr LAUDRIN

Pursuant to the resolution adopted on 25 September 1974 by the European Parliament concerning the internal rules of procedure for consideration of the draft general budget of the Community for the 1975 financial year, the Committee on Development and Cooperation, at its meeting of 9 October 1974, considered those parts of the draft general budget which come within its area of responsibility.

At the end of its meeting, the Committee unanimously adopted, with one abstention, the following opinion.

The following members were present: Mr DESCHAMPS, acting Chairman, Mr SANDRI, Vice-Chairman, Mr LAUDRIN, Rapporteur, Mr ADAMS (deputizing for Mr CORONA) Mr BERSANI, Mr BROEKSZ, Mr DURIEUX, Miss FLESCHE, Mr KASPEREIT, Mr MURSCH, Lord REAY, Mr SEEFELD.

At its meeting of 9 October 1974, the Committee on Development and Cooperation considered the various parts of the 1975 draft budget which come within its area of responsibility, namely, those relating to the EEC's development policy (Title 9, Chapters 92, 93, 94 and, in Chapter 60, the portion of refunds intended for grants of food aid.)

The Committee noted with satisfaction that all Community expenditure intended for the developing countries had been brought together under a single Title, (Title 9). This meant that the budgetary authority could make an immediate assessment of the scale and diversity of the Community's financial effort on behalf of those countries.

The Committee felt that there was a greater need than ever before for an extremely tight budget that reflected the austerity called for by the more difficult economic situation in which the Member States and the entire Community found themselves.

With regard to Chapters 90 and 91 of the preliminary draft budget, the Committee agreed to follow the line taken by the Council, who felt unable to determine the cost of financing the association agreements with the African, Caribbean and Pacific countries and with the Maghreb countries, until such time as negotiations had been completed, and the agreements specifying an overall aid figure concluded. The Committee will not therefore request the reinstatement in the 1975 budget of the appropriations earmarked in the Commission's preliminary draft budget for the eventuality that EDF funds would be incorporated in the budget.

In Chapter 93 of the draft budget covering special measures for financial and technical cooperation with the developing countries, the Committee accepted the reduction proposed by the Council in Articles 933 and 934 covering Community measures to promote the export trade of the non-associated developing countries on the Community market. The Committee naturally regrets that the amount set aside for this purpose falls short of the Commission's proposals, but feels that the need to establish an order of priorities in the present period of austerity compels Parliament to make choices and to accept certain limits on appropriations so that efforts can be concentrated on the basic aims of the development aid policy.

With this same object in mind, the Committee felt it should present proposals for modification or draft amendments to the budget on the following two points:

- food aid expenditure provided for in Chapter 92,
- the EEC's contribution to the CHEYSSON plan, so as to honour the undertaking given not only by Parliament, but by the Council itself.

With regard to Chapter 92 relating to food aid policy, Parliament adopted, on 12 July, a resolution on a report by Mr SEEFELD. Under this resolution the European Parliament 'Requests the Commission to include in the Community budget the funds necessary for implementing the planned indicative programme (defined in the memorandum on Community food aid) in the time limits set'. If, as is commonly said, the budget should reflect a policy, we must be consistent and provide the means with which to carry out this policy. All the experts, particularly in the F.A.O., agree that 1975 will be a year of famine: given this and the way the situation is developing in countries like Honduras, Bangladesh and India, the Council cannot sit back and decide that food aid in 1975 will be maintained at the same level as in 1974, which, in real terms, would mean a lower level. This would be to fail to recognize the Community's responsibility in the world, particularly towards the developing countries, and it would go against the decisions taken by Parliament last July. Furthermore, Parliament feels that food aid comes into the category of obligatory expenditure, because it follows first from agreements concluded with international bodies, and secondly from the memorandum laying down a three-year programme adopted by Parliament.

In the awareness of its responsibilities, our Committee will, therefore, in order to remain consistent, recommend Parliament to request the reinstatement of the appropriations provided for in the Commission's preliminary draft budget under Chapter 92.

As regards Chapter 94, relating to emergency United Nations action on behalf of developing countries most affected by international price movements of raw materials, better known as the CHEYSSON plan, the committee cannot agree with the Council's budgetary proposals. It will be recalled that, following Mr CHEYSSON's initiative on behalf of the EEC Commission, on which the European Parliament delivered a favourable opinion, the Council itself decided, last July, to notify the UN Secretary-General of its desire to contribute 500 million dollars to a multilateral fund of 1,500 million dollars, on the understanding that the other industrialized countries and the oil-producing countries would also contribute. This decision in principle by which the Community committed itself

was confirmed on 24 September by the Council which decided to make an initial contribution of 150 million dollars to this programme out of the 1974 supplementary Budget. This being so, the committee fails to understand why the Council has simply made a token entry for the second 1975 instalment under the CHEYSSON plan, since this is foreseeable expenditure decided by the Council. It is not good management to carry over such expenditure into future supplementary budgets.

For these reasons Parliament, in keeping with its resolution of 12 July, following on the report by Mr SANDRI, will adopt the recommendation of its competent committee and request the reinstatement of the 210 million u.a. entered in the Commission's preliminary draft budget for this second payment under the 1975 CHEYSSON plan and intended for exceptional emergency action on behalf of the poorest countries.

In conclusion, our committee, while fully aware of the need for a tight budget, feels that Parliament cannot, without contradicting itself, accept the reduced appropriations in the two chapters relating to food aid (Chapter 92) and the CHEYSSON plan². We must go back to the Commission's initial proposal, otherwise we shall undermine the very foundations of the development policy adopted by common consent and decided by the Council itself. The Committee on Development and Cooperation will therefore submit proposals for modification and a draft amendment (see annex).

Luxembourg
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