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## R E P O R T

by the Committee on Budgets

on the adjustment and revision of the financial perspective

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Part B: Explanatory statement

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*A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)*

*	= Consultation procedure requiring a single reading	**II	= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment
**I	= Cooperation procedure (first reading)	***	= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

B.

EXPLANATORY STATEMENT

1. Last December the European Council took the decision of principle to grant technical aid to the Soviet Union. The volume of this aid was too great to be financed from the ordinary budget and it was therefore necessary to revise the financial perspective.
2. After this decision had been taken, other events occurred on the international scene, some of them with particularly dramatic consequences, in respect of which the Community resolved to demonstrate its support.
3. Consequently the negotiations on the revision of the financial perspective lasted longer than seemed possible at the outset. During those negotiations, Parliament had two major concerns:
  - that the financing of the humanitarian measures which Parliament considered urgent should not be delayed;
  - and that the Council should not be allowed to finance the Community's new initiatives from the ordinary budget as adopted last December.
4. After three months of contacts and negotiations, your rapporteur is now in a position to present to the Committee on Budgets the results of his representations. These results are described in detail in the draft resolution and the attached joint decision and joint declaration of the three Institutions.
5. In fact, the rapporteur is proposing that Parliament adopt only part of the revision, since the Council was not able to negotiate all the matters relating to 1992.
6. This negotiation is considered necessary because the debate on the 1992 budgetary procedure is about to commence following submission of the PDB by the Commission.
7. As far as the first half of this revision of the financial perspective is concerned, the rapporteur feels that the following principles must be emphasized:
  - despite the lengthy duration of the negotiations, no delays occurred in respect of the most urgent humanitarian matters which required Community financing, as the Commission succeeded in launching the relevant operations;
  - no redeployment of appropriations was granted to finance the measures concerned;
  - the quantities relating to food aid to combat the famine in Africa were guaranteed, irrespective of the appropriations entered at this stage of the procedures;

- The Council recognizes the need for a revision of the financial perspective for 1992 and undertakes to conclude the relevant negotiations before Parliament's vote at first reading in order to enable the latter to adopt a realistic budget.

8. After the amendments resulting from this decision, the new financial perspective for 1991 is as follows:

Adaptation and revision of the financial perspective  
m ECUs

Headings in financial perspective	1991		1992		Subsequent years	
	CA	PA	CA	PA	CA	PA
Heading 2 *			350		193	
Heading 3 *			115		30	
Heading 4						
Technical assistance to the USSR	400	125		150		125
Aid to Israel and occupied territories	88	58		30		
Aid to the Kurds	100	100				
Famine in Africa	140	140				
Total Heading 4	728	423	0	180	0	125
TOTAL ALL HEADINGS	728	423	465	180	223	125

\* Adoption pursuant to Articles 10 and 11 of the Interinstitutional Agreement

9. Your rapporteur considers it useful to attach to this introduction the various working documents which, in the course of the past few weeks, have led to the results submitted to Parliament for its approval.

Working document by the rapporteur  
submitted on 10 April 1991

Commission proposal

1. On 22 February 1991 the Commission submitted a new proposal for revision of the financial perspective for 1991 and 1992, which replaces that for technical assistance to the Soviet Union and incorporates a number of its provisions.
2. This proposal, pursuant to Article 4 of the Interinstitutional Agreement, increases the ceiling for heading 4 as follows:

Heading 4 - commitments (m ECU)	1991	1992
Technical assistance to the USSR	400	*
Financial assistance to Israel and the Occupied Territories	250	*
Reserve for external policies (countries of Eastern Europe and emergencies or crises)	350	*
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Total: - Commitments	1 000	1 200
- Payments	700	1 000
New percentage of GNP (payments)	1.14%	1.16%
Ceiling on own resources (as a percentage of GNP)	1.19%	1.20%

\* No breakdown has been given for the amounts for 1992, which should be seen as a global reserve for external policy actions.

3. The Commission indicates that the amount to be entered in the budget should be determined by agreement between the two arms of the budgetary authority on a proposal from the Commission.

Initial considerations

4. Just as Parliament has become accustomed to the Commission submitting ad hoc revisions of the financial perspective, the Commission has now produced a more ambitious proposal, which includes a reserve of ECU 350 m for external policies.
5. On several occasions in the past, the Committee on Budgets has called for the creation of such a reserve which could be used more flexibly. To this extent, the Commission's initiative is to be welcomed, subject to the reservations set out below.

### Prior allocation

6. In your rapporteur's view, the prior allocation of appropriations under the financial perspective is totally at odds with the spirit of multiannual planning and, indeed, introduces a further element of rigidity into a system which, with its ceilings for the various headings and sub-ceilings, is in need of greater flexibility. Although the idea of a reserve could be acceptable to Parliament, in no circumstances should there be any conditions attached to it.
7. However, in view of current projections for external relations in the next few months, your rapporteur considers that the Council should be strongly urged to enter all or part of the reserve in the budget, even if no prior allocation of the amount is made.
8. In the circumstances, to ensure that the Community's internal policies for completion of the internal market do not diminish in importance compared with external policy and bearing in mind the guidelines and priorities established by Parliament for the 1992 budget, your rapporteur proposes the creation of a reserve for 1992 to be earmarked for the Community's internal policies (heading 4 of the financial perspective) of the same amount as that proposed by the Commission for external policy actions in 1991, i.e. ECU 350 m.
9. Expenditure within heading 4 for the period 1989-1991 was as follows:

	1989 ECU m	%	1991 ECU m	%	Diff.89/91 ECU m	%
Internal Policies	1 756	59	1 956	40	+ 200	+ 11
External Policies	1 240	41	2 915	60	+ 1 675	+ 135
Total Heading 4	2 996	100	4 871	100		

### Implementation

10. A further consideration is the mechanism proposed by the Commission for entering in the budget the amounts already provided for in the revision of the financial perspective. The relevant amounts are to be entered (Article 2(3)) 'by agreement between the two arms of the budgetary authority on a proposal from the Commission'.
11. It should be pointed out that we are dealing here with non-compulsory expenditure, on which Parliament has the final say, and that in the circumstances it would be difficult for us to endorse any derogation from the budgetary procedure laid down by the Treaties. As the Commission is not proposing that the implementation mechanism be included in the body of the Interinstitutional Agreement and the amounts involved in the revision do not exceed 0.03% of GNP per year, the rapporteur sees no need for recourse to Article 4 of the Interinstitutional Agreement.

Constraints on the 1991 and 1992 budget

12. In submitting this proposal, the Commission appears to disregard a number of factors which are likely to impose strains on the 1991 and 1992 budgets, over and above the current forecasts in the financial perspective, viz:

- the trend in agricultural spending, based on the data provided by the early warning system, reveals a very real risk of the guideline being exceeded;
- the issue of guarantees against the Community budget for loans to a number of non-member countries means that, perhaps even in 1992, it will be necessary to commit appropriations to cover potential losses;
- a number of forecasts made by the Commission for administrative expenditure suggest that further revisions of heading 5 will be required.

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13. To sum up, your rapporteur considers that the Commission proposal broaches the question of the exhaustion of own resources. Discussion of this issue might appear premature at this stage, but the fact that agricultural spending is not yet under control and the escalation in expenditure relating to the Community's external policy give reason to fear that this issue could be upon us sooner than expected.

14. It is clear even at this stage that the Council, either by its decisions or by failing to take decisions, is drawing on the margin of appropriations which, in Parliament's view, should be used to consolidate the internal market and for new policies. In your rapporteur's view, in discussing the present proposal, this issue must not be evaded.

