REPORT
drawn up on behalf of the Committee on Budgets
on the Joint Declaration by the European Parliament,
the Council and the Commission on various measures
to improve the budgetary procedure

Rapporteur: Mr. P. ADONNINO
As a result of the desire for conciliation on budgetary problems expressed by the three Institutions and following preparatory work by the Presidents of the three Institutions and a conciliation meeting between the Council and a delegation from Parliament held on 22 June 1982, the Presidents of the three Institutions signed on 30 June 1982 the 'Joint Declaration by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure'.

The President of the European Parliament signed this 'Joint Declaration' subject to approval by Parliament.

The Committee on Budgets, as the committee responsible for the 'definition and exercise of the budgetary powers of the European Parliament', appointed Mr P. Adonnino rapporteur at its meeting of 22 June 1982.

It adopted the report approving and ratifying the 'Joint Declaration' at its meeting of 5 July 1982.

The result of the vote was 17 votes in favour, 3 against and 4 abstentions.

The explanatory statement will be given orally by the rapporteur.

Present: Mr Lange, chairman; Mr Notenboom and Mrs Barbarella, vice-chairmen; Mr Adonnino, rapporteur; Mr Adam (deputizing for Mr Orlandi), Mr Balfe, Mr Balfour, Mr Bonde, Mrs Boserup, Mr Fich, Mr Gouthier, Mr Helms (deputizing for Mr Simonnet), Mr Robert Jackson, Mr Langes, Mr Louwes, Mr Michel (deputizing for Mr Barbagli), Mr Newton Dunn, Mr Pfennig, Mr Price, Mr Saby, Mr Schön, Mr Simmonds, Mrs Scrivener, Mr Sutra de Germa (deputizing for Mr Lalumiere).
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ANNEX (published separately)

Joint Declaration by the three Institutions
and table of budget headings
The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution:

**MOTION FOR A RESOLUTION**

on the joint declaration by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure

The European Parliament,

- having regard to the report of the Committee on Budgets (Doc.1-450/82 ),
- having been asked to deliver an opinion on the joint declaration by the three Institutions on various measures to improve the budgetary procedure, which supplements the 1971 agreement on cooperation between the Council and Parliament in the context of this procedure,
- having regard also to the resolution adopted by Parliament on 10 April 1981 on the interinstitutional dialogue on certain budgetary questions

(a) whereas the only way to ensure that the institutional structure as a whole is able to stimulate and control the process of Community integration it is essential to establish a relationship between the Institutions which is capable of tackling the fundamental aspects of the problem, and whereas in the absence of such a relationship the causes of crisis inevitably multiply;

(b) convinced that unless the interinstitutional dialogue were based on these essential conditions, it would be impossible to implement in a proper and balanced manner the budgetary rules which, in accordance with the Treaties of 1970 and 1975, can be fully applied only with the active participation of both the Institutions (Council and Parliament) which comprise the budgetary authority, the body responsible for ensuring that Community public expenditure is executed correctly and effectively;

(c) convinced, moreover, that the process of integration requires the interpretation of the budgetary rules to evolve continuously so as to bring out their intrinsic nature and purpose, which is to increase the role assigned to Parliament;

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(a) whereas the interinstitutional agreements and hence this Declaration
to the extent that it proves appropriate thus represents:
- an asset which will naturally be enriched in the light of experience;
- an essential means of interpreting developments in the budgetary rules,
  procedures, decisions and data

(e) whereas, as asserted to Parliament by the President of the Council on
15 June 1982, as a result of these agreements 'it will be possible to ensure
that the budgetary procedure is conducted more smoothly and
coordinated more effectively with the legislative process

I

(A) as regards the classification of expenditure

1. Notes that the Declaration supplements the definition of expenditure
provided in Article 203 of the Treaty in that it explains, in relation to the
concept of compulsory expenditure, the implications of compliance with the
'obligations entered into by the Community', both internally and externally;

2. Defines these obligations as the public rights of third parties under the law;

(B) as regards the correct application of the criteria for classifying
expenditure as defined in the interinstitutional agreement

3. Welcomes the extension of the category of non-compulsory expenditure,
agreed by all three Institutions, to include, on the basis of the annex
to the Declaration:
(a) a substantial proportion of expenditure on food aid;
(b) from now on, certain items in the EAGGF, Guidance Section;

4. Considers, in accordance also with a proposal already put forward by the
Commission, that on the expiry of the current period of validity of appropriations
of the five-year provided for in the EAGGF, Guidance Section regulations
(1980-1984), appropriations allocated to this section should be classified
as non-compulsory expenditure in accordance above all with the principle
whereby the volume of expenditure should be decided through the budget and
not in the basic regulations;
5. Considers, moreover, that it is logical for this classification, determined on the basis of the present state of the negotiations, be open subsequently to review in line with changes in the interpretation of the budgetary rules and notes in this connection that the Council has shared this fundamental point of view since 1970 as indicated in a declaration annexed to the Treaty of that year which introduces the distinction between compulsory and non-compulsory expenditure;

(C) as regards the classification of new budget items or existing items for which the legal basis has changed

6. Welcomes the principle of assigning equal powers to the two arms of the budgetary authority as regards the classification of new items of expenditure and of envisaging a flexible conciliation procedure in cases of disagreement, although it does not propose any solutions in the event of failure to reach agreement;

(D) as regards interinstitutional collaboration in the context of the budgetary procedure

7. Takes the view that the new proposal for collaboration should ensure full compliance with Article 203 of the Treaty, in particular as regards the requirement to complete the budgetary procedure before the beginning of the financial year, without curbing any of the powers assigned to the Institutions, including the European Parliament's freedom of choice in the context of the rate of increase in non-compulsory expenditure;

8. Stresses that the agreement could reduce the likelihood of conflict in respect of the fixing of a new rate for non-compulsory expenditure without, however, enabling either of the two arms of the budgetary authority unilaterally to block or delay the decision-making process and that it nevertheless meets the requirement of compliance with the powers conferred by the Treaty on the President of Parliament, whose right it is to declare the budget finally adopted once the budgetary procedure has been completed;

(E) as regards Parliament's independent powers to amend the budget

9. Points out that, in accordance with the provisions of the Treaty, the Declaration confirms that Parliament in any event possesses a margin for manoeuvre, corresponding to at least half the maximum rate declared by the Commission, which is applicable from the draft budget stage, and that it also confirms Parliament's right to use this margin for manoeuvre in the
context both of the annual budget and, for the remaining portion, of supplementary or amending budgets adopted during the financial year;

(F) as regards the fundamental nature of budgetary law and the strengthening of the powers conferred on Parliament by the 1970 and 1975 Treaties

10. Asserts that a vital part of the agreement is the paragraph confirming that future legislative provisions must not fix ceilings on expenditure.

11. Emphasises, in confirmation of the fundamental nature of the final part of the interinstitutional agreement, that the Declaration:

(a) permits appropriations to be entered in the budget even in the absence of a specific regulation;

(b) enables appropriations not supported by a specific regulation to be implemented during the financial year, unless they relate to significant new Community action which, in view of its complexity, requires a specific regulation laying down the objectives and means of achieving them;

(c) ensures that the budget will become a vital stimulus to the adoption of legislative provisions, since it provides that the entry in the budget of appropriations for 'significant new Community action' represents an incentive for the Commission, which cannot be disregarded, to use its powers to initiate legislation;

(d) requires Parliament and the Council, as a result, to exercise their own powers:

(e) provides, but only as an exception, that, if the Council fails to adopt a regulation on the basis of a prc. sal from the Commission, the latter should indicate alternative uses to which the appropriations entered in the budget could be put;

In this connection, the alternative proposals should if possible relate to the same sector of activity as the appropriations for which no regulation has been adopted;
(6) as regards the revision of the Joint Declaration and the solution of outstanding problems

12. Ascribes special importance to the machinery (provided for in paragraph 5 of Part III of the 'Joint Declaration') for inter-institutional negotiations which can be initiated by each of the three Institutions;

13. Welcomes the fact that the Declaration provides for a revision procedure which may be launched on the initiative of any one of the Presidents of the three Institutions and also provides for a regular assessment of the application of the principles it enshrines;

14. Stresses that the Declaration deals with a series of problems of much greater scope than those relating to the criteria for classifying expenditure, although it does not examine fully all the problems which, in recent years, Parliament felt required a joint decision by the two arms of the budgetary authority; considers, therefore, that it represents a course of action which must be pursued with determination;

15. Points out in this connection on the one hand, that the approved nomenclature does not obviate the need to enter the European Development Fund in the budget and on the other hand, that the revision of the Financial Regulation of the Communities, which is urgently called for in the Declaration, could deal with other aspects which Parliament felt to be of vital importance with a view to resolving certain budgetary problems and hence to preventing possible causes of tension between the Institutions;

II

16. The European Parliament, on the basis of the interpretation placed on it in this resolution approves and ratifies the new agreement between the three Institutions, which will inevitably clarify, in complying with them, the letter and spirit of the Treaties of 1970 and 1975, principally as regards the provisions of Article 203, and which may therefore eliminate the disagreements and difficulties encountered in recent years;

17. Asserts, as indicated in the Letter of 30 June 1982 from the President of the Council to the President of the European Parliament, that the final adoption of the agreement should lead to the immediate withdrawal of the proceedings concerning the ordinary budget for the financial year 1982 brought before the Court of Justice by a number of Member States, as a precautionary measure against Parliament and the Commission respectively.
JOINT DECLARATION BY THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COMMISSION
ON VARIOUS MEASURES TO IMPROVE THE BUDGETARY PROCEDURE

THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COMMISSION,

Whereas harmonious cooperation between the institutions is essential to the smooth operation of the Communities;

Whereas various measures to improve the operation of the budgetary procedure under Article 78 of the Treaty establishing the European Coal and Steel Community, Article 203 of the Treaty establishing the European Economic Community and Article 177 of the Treaty establishing the European Atomic Energy Community should be taken by agreement between the institutions of the Communities, due regard being had to their respective powers under the Treaties,

AGREE AS FOLLOWS:

Brussels, 30 June 1982
I. CLASSIFICATION OF EXPENDITURE

1. Criteria

In the light of this agreement and of the classification of expenditure proposed by the Commission for the budget for 1982, the three institutions consider compulsory expenditure such expenditure as the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith.

2. Application on the basis of this agreement

Items in the budget are hereby classified as set out in the Annex hereto.

II. CLASSIFICATION OF NEW BUDGET ITEMS OR EXISTING ITEMS FOR WHICH THE LEGAL BASIS HAS CHANGED

1. New budget items and the expenditure relating to them shall be classified having regard to the data set out in section I hereof by agreement between the two institutions which make up the budgetary authority, acting on a proposal from the Commission.

2. The preliminary draft budget shall contain a reasoned proposal for the classification of each new budget item.

3. If one of the two institutions which make up the budgetary authority is unable to accept the Commission's proposal for classification, the disagreement shall be referred to a meeting of the President of Parliament, of the Council and of the Commission, which shall undertake the Chairmanship.

4. The three Presidents shall endeavour to resolve any disagreements before the draft budget is established.

5. The Chairman of the Tripartite Dialogue shall report to the interinstitutional conciliation meeting which precedes the first reading by the Council and shall, if necessary, speak in Council and Parliament debates on the first reading.

6. The agreed classification, which shall be considered provisional if the basic act has not yet been adopted, may be reviewed by mutual agreement in the light of the basic act when it is adopted.
III. INTERINSTITUTIONAL COLLABORATION IN THE CONTEXT OF THE BUDGETARY PROCEDURE

1. The discussion of Parliament's views on the Commission's preliminary draft budget, which is scheduled to precede the Council's establishment of the draft budget, shall be held early enough for the Council to be able to give due weight to Parliament's proposals.

2. (a) If it appears in the course of the budgetary procedure that completion of the procedure might require agreement on fixing a new rate of increase in relation to non-compulsory expenditure for payment appropriations and/or a new rate for commitment appropriations (the latter rate may be at a different level from the former), the Presidents of Parliament, the Council and the Commission shall meet immediately.

   (b) In the light of the positions put forward every effort shall be made to identify those elements on which the two institutions which make up the budgetary authority can agree so that the budget procedure can be completed before the end of the year.

   (c) To this end, all parties will use their best endeavours to respect this deadline, which is essential to the smooth running of the Community.

3. If, however, agreement has not been reached by 31 December, the budgetary authority shall continue its efforts to reach agreement so that the budget can be adopted by the end of January.

4. The agreement between the two institutions which make up the budgetary authority on the new rate shall determine the level of non-compulsory expenditure at which the budget shall be adopted.

5. The Presidents of Parliament, the Council and the Commission shall meet whenever necessary, at the request of one of them:
   - to assess the results of the application of this declaration,
   - to consider unresolved problems in order to prepare joint proposals for solutions to be submitted to the institutions.
IV. OTHER MATTERS

1. Parliament's margin for manoeuvre - which is to be at least half the maximum rate - shall apply as from the draft budget, including any letters of amendment, as adopted by the Council at first reading.

2. The maximum rate is to be observed in respect of the annual budget, including amending and/or supplementary budgets, if any. Without prejudice to the determination of a new rate, any portion of the maximum rate which has not been utilized shall remain available for use and may be used when draft amending and/or supplementary budgets are to be considered.

3. (a) Ceilings fixed in existing regulations will be respected.
   
   (b) In order that the full importance of the budget procedure may be preserved, the fixing of maximum amounts by regulation must be avoided, as must the entry in the budget of amounts in excess of what can actually be expended.
   
   (c) The implementation of appropriations entered for significant new Community action shall require a basic regulation. If such appropriations are entered the Commission is invited, where no draft regulation exist, to present one by the end of January at the latest.
   
   The Council and the Parliament undertake to use their best endeavours to adopt the regulation by the end of May at the latest.
   
   If by this time the regulation has not been adopted, the Commission shall present alternative proposals (transfers) for the use during the financial year of the appropriations in question.

4. The institutions note that the procedure for revision of the Financial Regulation is in progress and that some problems should be resolved in that context. They undertake to do all in their power to bring that procedure to a swift conclusion.

Done at Brussels, June 1982

For Parliament For the Council For the Commission

(P. DANKERT) (L. TINDEMANS) (G. THORN)