

European Communities

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Report

drawn up on behalf of the Committee on Budgetary Control

on the measures taken by the Community Institutions in the light of the comments appearing in the decisions giving discharge in respect of the 1978 financial year in accordance with the financial regulation

Rapporteur: Mr Robert BATTERSBY

The President of the European Parliament transmitted the reports of certain Community institutions, on the measures taken in response to Parliament's comments in the discharge decision in respect of the 1978 financial year, to the Committee on Budgetary Control and authorized the preparation of a report on 3 November 1980. The Committee on Development and Cooperation was consulted for its opinion.

The Committee on Budgetary Control confirmed the mandate of Mr BATTERSBY as rapporteur at its meeting on 29/30 September 1980.

The Committee considered the draft report at its meetings of 24/25 November 1980 and 1/2 December 1980 and adopted it at the latter meeting by nine votes in favour with two abstentions.

Present: Mr AIGNER (Chairman); Mrs BOSERUP (Vice-Chairman);
Mr COLLA, Mr FILIPPI, Mr GABERT, Mr IRMER, Mr Edward KELLETT-BOWMAN,
Mr KEY, Mr NOTENBOOM, Mr SIMONNET, Mr John Mark TAYLOR.

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The Committee on Budgetary Control hereby submits to the European Parliament the following Motion for a Resolution together with explanatory statement:

MOTION FOR A RESOLUTION

On the measures taken by the Community Institutions in the light of the comments appearing in the decisions giving discharge in respect of the 1978 financial year in accordance with the financial regulation¹

The European Parliament,

- having regard to the Treaty establishing the ECSC and in particular Article 78g thereof,
 - having regard to the Treaty establishing the EEC and in particular Article 206b thereof,
 - having regard to the Treaty establishing the EAEC and in particular Article 180b thereof,
 - having regard to the report of the Court of Auditors on the accounts for the 1978 financial year and the answers of the Institutions to the report (Doc 1-567/79),
 - having regard to its resolution of 23 May 1980²,
 - having regard to the reports of certain Community institutions on the measures taken in response to Parliament's comments,
 - having regard to the report of the Committee on Budgetary Control (Doc.1-671/80)
- (a) conscious of the importance which attaches to the Parliamentary decision granting discharge in respect of the implementation of the budget of the EC;
- (b) wishing to ensure a prompt and effective follow-up to the comments made by Parliament in the context of the discharge decision;
- (c) believing that all institutions of the Community should respond promptly and comprehensively to these comments;

¹ OJ No L 356 of 31.12.1977

² OJ No L 180 of 14.07.1980, page 13

As regards the follow-up to discharge comments

1. Recalls that it asked, in the decision on the 1978 discharge, that the Commission should furnish, by November, a report on the follow-up to the comments set out in the discharge resolution and appreciates the fact that the Commission has complied with Parliament's wishes in this regard;
2. Considers that it will be necessary to amend Article 85, final sub-paragraph, of the financial regulation, to ensure that, in future, the answers of the Institutions are made available before the following year's discharge procedures are too far advanced to enable these answers to be fully taken into account by the Parliament in the next discharge decision;
3. Recalls that the Commission inadequately implemented some ninety per cent of Parliament's duly adopted amendments incremental to the 1978 EC budget and that in only a few cases were acceptable explanations given;
4. Considers that there are growing differences in interpretation by the three institutions of the Commission's role in the implementation of the budget, which run counter to the interests of the Community and which are unacceptable to Parliament;
5. Insists that these differences should be reconciled at the earliest opportunity and that a conciliation procedure should be launched as soon as possible to ensure that Parliament's will, as reflected in the budget as adopted, is carried into effect;
6. Insists that this procedure be launched before the discharge decision for the 1979 financial year is taken;
7. Welcomes the efforts being made by the Commission to keep transfers of appropriations and carryovers to a minimum and, thereby, to ensure greater respect for the budget as adopted;

Issues arising out of the 1978 discharge decision to be considered in separate reports

8. Will consider - in the framework of the 1979 discharge or of separate reports - issues relating to agricultural stocks, accommodation policy, the follow-up to the COMO affair, assessment of valuation for customs purposes, certain staff-related expenditures, the Joint Research Centre problems, EAGGF market management, and borrowing and lending policies together with their democratic control;

As regards the European Regional Development Fund

9. Deplores the fact that, still, not all Member States permit full and adequate control, by Community officials, of European Regional Development Fund expenditure;

As regards food aid

10. Deplores the fact that the existing decision-making processes, which involve the Council in fixing the quantities for allocations to individual beneficiaries, hamper the implementation of the Community food aid policy, and stresses the need for multiannual programming of aid in this sector;

As regards decentralised agencies

11. Observes that the Commission has given an assurance that the relevant amendments will be incorporated in the regulations governing decentralised agencies so that Parliament, acting on a recommendation from the Council, gives the discharge thus reflecting the position under the Treaty of 22 July 1975 and the established procedure;

Transmission of Resolution

12. Asks its President to transmit this Resolution and the report of its Committee to the Council and the Commission.

B

EXPLANATORY STATEMENT

1. On 22 May 1980, the European Parliament deliberated on the report¹ of the Committee on Budgetary Control which recommended the granting of discharge to the Commission of the EC in respect of the implementation of the budget for the 1978 financial year.
2. On 23 May 1980, the European Parliament adopted the discharge decisions and also adopted the comments² made under the provisions of Article 85 of the financial regulation³ which embodied the recommendations of a political nature put forward by the Committee on Budgetary Control.
3. The figures in respect of which the discharge decision was given included the supplementary and amending budgets as well as the initial general budget for 1978 and totalled 12,362,654,592.00 EUA. Further details are published in the Official Journal⁴.
4. In drafting the discharge report, the Committee based its deliberations primarily on thirteen working documents prepared by its members, the text of the rapporteur, the opinion of the Development and Cooperation Committee, the report of the Court of Auditors⁵ and the recommendation of the Council of the EC⁶.
5. The comments made in the context of the discharge decision are of major political importance because they reflect the conclusions of Parliament in regard to the manner in which the Commission implemented the budget and used the taxpayers' funds voted by Parliament when adopting the budget. Indeed, Parliament's enhanced responsibility in regard to the grant of discharge was a key element in the Treaty of 22 July 1975.
6. When preparing the report on the 1978 accounts, the rapporteur indicated that:

"it is necessary to ensure continuity in the matter of the follow-up to the comments set out in the present resolution and will consider a report in the matter at its November part session".⁷

The prompt action of the Commission in transmitting its report on the follow-up is appreciated and the preceding draft motion for a resolution will enable Parliament to complete its work on the 1978 accounts before examining the report of the ECA on the 1979 financial year.

¹ Doc 1-150/80

² OJ No L 180 of 14 July 1980, page 13

³ OJ No L 356 of 31 December 1977

⁴ OJ No C 147 of 16 June 1980, page 1

⁵ Doc 1-567/79

⁶ Doc 1-77/80

⁷ Doc 1-150/80, page 10

Amendments to the 1978 budget

7. When the Council drew up the draft budget for the 1978 financial year, the prevailing short-term economic viewpoint was that austerity should be the keynote in regard to public spending. This criterion was applied to the EC budget by the Council. However, in the late Summer and early Autumn of 1977, fiscal policy was altered to permit of more expansionary budgetary policy within the Member States. Political argument in the course of the budgetary procedure convinced the Council of the reasonableness of Mr Shaw's case, set out in his report ⁽¹⁾ on the 1978 draft budget, for substantial amendments to the Council's text.

8. As pointed out in Annex XIII to the report on the 1978 discharge decisions, considerable political and Community significance attaches to amendments to the budget adopted by Parliament. Most of these amendments command the support of 95 per cent of the Members present and voting - the majorities required for adopted amendments ensure that support must cut across political and national groupings.

9. The amendments were carefully selected and their endorsement was a vital element in the adoption of the budget, as the motion for a resolution ⁽²⁾ evidenced. Their non-implementation undermined Parliament's strategy for 1978.

10. The rapporteur would not expect that every single amendment could be implemented in full. However, the great majority should have been carried into effect. Instead, the following pattern obtained.

Percentage of implementation of 1978 payments amendments

non-implemented	34
0 - 10	5
10 - 25	1
25 - 50	7
51 - 75	2
75 - 90	2
90 -100	1
	<u>52</u>

11. The attached annex sets out a fuller picture of the situation which the rapporteur finds to be unacceptable.

(1) Doc 441/77

(2) OJ C 6, Vol 21, 9.1.1978, page 43

ANNEX

Action taken by the Commission on Parliament's amendments (payments) for the 1978 financial year

(in EUA)

Budget line	Effect of EP Amendments in EUA	Total appropriations (payments) available for fin. year in EUA	Total payments made in EUA	Total appropriations not used (carried over or cancelled)	% EP amendments on which action taken in 1978
1/ Financial implications of increase in additional staff	+ 2,214,600	385,353,500	341,373,184	43,980,316	0 ²
266/ Regional studies	+ 160,000	500,000	130,770	369,230	0
2729/ Information on European elections	+ 4,000,000	5,000,000	1,270,915	3,729,085	6.8
282/ EEC Institute for Econ. Research	+ 3,050,000	3,050,000	0	3,050,000	0
283/ European Foundation	+ 500,000	500,000	0	500,000	0
293/ Subsidies to non-governmental organizations	+ 200,000	200,000	164,959	35,041	82.5
3021/ Second prog., young workers	90,000 ¹	120,000	68,870	51,130	43.2
3030/ Handicapped workers' housing	+ 200,000	200,000	0	200,000	0
3031/ Migrant workers' housing	+ 170,000	170,000	9,142	160,858	5.4
3050/ Labour market research prog.	+ 50,000	485,000	202,861	282,139	0
3051/ Cooperation on employment	+ 150,000	385,000	311,291	73,709	49.2
306/ Combating poverty	+ 640,000	2,904,000	1,884,282	1,019,718	0
307/ Eur. Trade Union Inst.	+ 500,000 ³	500,000	250,000	250,000	50
316/ Farmers' vocational training	+ 81,100	131,100	131,100	0	100
3200/ Hydrocarbon technol. development projects	+ 7,000,000	30,000,000	0	30,000,000	0
321/ Uranium prospecting	+ 3,000,000	5,300,000	112,966	5,187,034	0
3240/ Energy saving prog.	+ 2,000,000	2,000,000	0	2,000,000	0

¹ 30,000 EUA transferred from Ch. 100² Although the Commission did recruit staff as a result of the EP amendments, only 88% of the appropriation under Title 1 were taken up. Therefore the additional appropriations voted by the EP were not used.³ Transferred from Ch. 100.

(in EUA)

Budget line	Effect of EP Amendments in EUA	Total appropriations (payments) available for fin. year in EUA	Total payments made in EUA	Total appropriations not used (carried over or cancelled)	% EP amendments on which action taken in 1978
3241/ Coal liquefaction	+ 2,000,000	2,000,000	0	2,000,000	0
3242/ Geothermal resources	+ 2,000,000	2,000,000	0	2,000,000	0
3333/ JRC Estab. protection	+ 4,455,000 ¹	4,455,000	1,298,532	3,156,467	29.1
3358/ Irradiated fuel reprocessing	+ 1,000,000 ²	1,000,000	0	1,000,000	0
3359/ Phasing out nuclear installations	+ 500,000 ²	500,000	0	500,000	0
3361/ Primary raw materials	+ 2,000,000	2,000,000	33,483	1,966,517	0
3362/ Long-term forecasts	+ 532,600	532,600	38,898	493,702	7.3
3364/ Uranium processing	+ 800,000	800,000	6,243	793,757	0.8
3520/ Workplace health protection, hygiene and safety	+ 325,000	770,000	334,859	435,141	0
353/ Public health studies	+ 60,000	180,000	66,151	113,849	0
3541/ Environmental projects	+ 50,000	200,000	142,945	57,055	0
3550/ Consumer protection studies	+ 70,000	270,000	80,690	189,310	0
3552/ Consumer protection and info.	+ 100,000	100,000	0	100,000	0
3620/ Second three-year project	+ 1,750,000 ¹	2,850,000	1,248,259	1,601,741	8.5
3621/ Activities supplementary to three-year project	+ 200,000	700,000	240,939	459,061	0
3701/ Data-processing second programme	+ 1,700,000	1,700,000	436,623	1,263,377	25.7
3710/ Technol. research	+ 1,000,000 ²	1,000,000	0	1,000,000	0
373/ Transport infrastructure aid	+ 890,000 ²	890,000	258,352 ³	631,648	29.0
3750/ Loan interest rebates	+ 2,000,000	2,000,000	0	2,000,000	0

¹ Transferred from Ch. 100

² Appropriations entered under Ch. 100

³ Paid on a transfer of 890,000 EUA from Ch. 100.

(in EUA)

Budget line	Effect of EP Amendments in EUA	Total appropriations (payments) available for fin. year in EUA	Total payments made in EUA	Total appropriations not used (carried over or cancelled)	% EP amendments on which action taken in 1978
3751/ Investment premiums	+ 15,000,000 ¹	15,000,000	0	15,000,000	0
390/ Technol. and indus. research	+ 2,000,000 ²	2,000,000	0	2,000,000	0
3920/ Education	+ 500,000	1,500,000	719,636	780,364	0
393/ Cultural action	+ 80,000	180,000	164,598	15,402	80.7
500/ Agriculture and textiles aid	+ 19,000,000 ³	61,000,000	20,740,290	40,259,710	0
501/ Measures for young people	+ 68,000,000 ⁴	118,000,000	68,895,888	49,104,112	27.8
502/ Measures for handicapped	+ 3,000,000	19,000,000	17,891,138	1,108,862	63.0
503/ Measures for migrant workers	+ 8,000,000 ⁵	25,000,000	10,658,698	14,341,302	0
510/ Employment situation aid	+ 118,000,000 ⁶	275,000,000	99,366,068	175,633,932	0
511/ Measures for handicapped	+ 19,000,000 ⁷	37,000,000	21,349,534	15,650,466	19.7
520/ Pilot schemes	+ 800,000 ⁸	1,300,000	370,539	929,461	0
55/ European Regional Development Fund	+ 275,000,000	525,000,000	171,808,515	353,191,485	0
59/ Aid to disaster victims	+ 5,000,000	5,000,000	3,739,028	1,260,972	74.8
930/ Cooperation with non-assoc. DCs	+ 6,000,000	40,796,000	3,074,995	37,721,005	0
9410/ Scholarships	+ 50,000	250,000	62,133	187,867	0
945/ NGO schemes for DCs	+ 2,000,000	6,000,000	3,640,424	2,359,576	0

¹ Transferred from Ch. 100 ² Appropriations entered under Ch. 100 ³ 6 m EUA transferred from Ch. 100

⁴ 32 m EUA transferred from Ch. 100 ⁵ 3 m EUA transferred from Ch. 100 ⁶ 49.5 m EUA transferred from Ch. 100

⁷ 9 m EUA transferred from Ch. 100 ⁸ 0.5 m EUA transferred from Ch. 100