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Report

drawn up on behalf of the Committee on Budgets
on the ~~draft~~ amending and supplementary budget no.2
of the European Communities for the financial
year 1980

Rapporteur: Mr Pieter DANKERT



On 4 December 1980 the Commission of the European Communities forwarded to the European Parliament the preliminary draft supplementary budget no.2 for 1980.

On 12 December 1980 the Council established the draft budget and forwarded it to Parliament where it arrived on 15 December 1980.

On 15 December 1980 the Committee on Budgets confirmed the appointment of Mr Dankert, rapporteur for the Commission's budget for 1980, as rapporteur and discussed the supplementary budget. At the same meeting the motion for a resolution was voted and approved by 15 votes unanimously with 3 abstentions.

Present: Mr Lange, Chairman; Mr Notenboom, first Vice-Chairman; Mr Spinelli, second Vice-Chairman; Mr Dankert, rapporteur; Mr Adonnino, Mr Ansquer, Mr Arndt, Mr Bailloç, Mr Bonde, Mrs Boserup, Mr Colla, Mr Forth, Mr Howell, Mr R. Jackson, Mr Lemmer (deputizing for Mr Ryan), Mr Newton Dunn, Mr Nord, Mr K. Schön, Mr Seeler (deputizing for Mr O'Leary), Mrs Scrivener, Mr J. M. Taylor and Mr von der Vring (deputizing for Mr Jalton).

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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 amending and supplementary budget no. 2 of the European Communities for the financial year 1980

The European Parliament,

- having regard to the preliminary draft of the second supplementary and amending budget for 1980 (COM (80) 827),
 - having regard to the draft supplementary and amending budget no. 2 for 1980,
 - having regard to the report of the Committee on Budgets (Doc.1-731/80),
- a. Whereas urgent Community action is required to provide immediate assistance for Italy in the wake of the earthquake disaster,
 - b. Whereas Council, at its meeting of 11 September 1979, committed itself to drawing up a supplementary budget should there be a shortfall in payments for the European Social Fund,
 - c. Whereas that shortfall has in fact manifested itself,
 - d. Whereas Parliament retains a considerable margin for increasing non-compulsory payments in 1980, without any increase in the maximum rate,
 - e. Whereas some of the problems concerning the adoption of the 1981 budget could be resolved by the use of the remaining margin for increasing payments in 1980,
1. Approves the introduction of draft supplementary budget no. 2 to provide some immediate emergency aid for Italy and to meet the need for extra payments in the context of certain Community policies;

2. Believes that the aid for Italy should be increased as awareness grows of the extent of the damage;
3. Considers that certain budgetary lines should be amended in order to permit the Commission to honour its commitments in the next twelve months; and to meet those commitments leading to payments in 1980;
4. Therefore amends those chapters of the budget concerned with social policy, recognizing that it may be necessary to transfer some of these amounts to Chapter 55 'Regional Fund' during 1981, to meet commitments there;
5. Points out that some of the appropriations entered in the budget will have to be carried forward automatically to the 1981 budget;
6. Points out that this approach, which recognises the inevitable growth in payments in 1980 and 1981, to meet the commitments that the Community has entered into in 1980 and in previous years, and which thus establishes a link between the problems relating to the 1980 supplementary budget and the 1981 budget, could permit the adoption of the 1981 budget without further difficulties and delays;
7. Will use its best endeavours to find a solution to these problems in the course of the conciliation procedure to take place prior to the second reading of both the draft supplementary budget no. 2 and the 1981 budget.

EXPLANATORY STATEMENTIntroduction: objectives of the Commission's proposals

1. The late introduction of a preliminary draft for a supplementary budget by the Commission would normally be the occasion for criticism from the budgetary authority. However, exceptional circumstances have fully justified the Commission's initiative.

- (i) The scale and extent of the Italian earthquake disaster makes it by far the most serious event of its kind in the recent history of the Community. The tragedy in human terms - numbers killed, wounded or homeless - makes urgent humanitarian aid indispensable. To this human tragedy is added the serious financial cost to the Italian economy: a total cost estimated by the Commission of about 17,000 mEUA.

On learning of the disaster the Commission immediately released the small remaining funds under Chapter 59 "Aid to disaster victims in the Community" (1.5 mEUA).

Now the Commission has launched two further proposals:

- (a) the subsidising of interest rate payments in the context of a Community loan for the region (COM (80) 863). Any financial consequences for the Community budget of this measure will be felt in the 1981 financial year;
- (b) an immediate increase in the funds available under Chapter 59, by 40 mEUA, for commitment before the end of 1980, so that the necessary sums can be carried forward automatically.
- (ii) Despite a large carry-forward from 1979, the sums available for payments under the European Social Fund (607 mEUA) have proved insufficient to meet the number of requests for payment to honour existing commitments. The Commission estimates that there has been a shortfall of approximately 100 mEUA. For this reason it proposes an increase in Social Fund payments of 100 mEUA, broken down as follows:

Article 500	Aid to the agricultural and textile sectors	+	4 mEUA
Item 5010	Measures for young people: vocational training and geographical mobility	+	28 mEUA
Item 5011	Aid to promote youth employment	+	18 mEUA
Article 505	Measures for women	+	2 mEUA
Item 5100	Aid to improve the employment situation in certain regions	+	36 mEUA
Article 511	Measures for handicapped persons	+	12 mEUA
	<u>TOTAL</u>	+	<u>100 mEUA</u>

The Commission appropriately recalls that the Council, in its deliberations on the 1980 draft budget, committed itself to introducing a supplementary budget to increase Social Fund payments should it be necessary to increase the resources available to the Commission. ⁽¹⁾

2. The overall consequence of the Commission's preliminary draft supplementary budget would be to increase the volume of the 1980 budget from 15,816 mEUA to 15,956 mEUA.

The consequent increase in the VAT rate would be from 0.69% to 0.70%.

Deliberations of Council

3. In drawing up the draft supplementary budget it appears that Council has accepted the emergency aid for Italy in its entirety (40 mEUA). However, it has agreed to an increase of only 60 mEUA for Social Fund payments, spread over the various lines that the Commission proposed amending in the preliminary draft. Therefore, Council's proposal would increase the total volume of the 1980 budget by only 100 mEUA (to a new total of 15,916 mEUA).

⁽¹⁾ Council meeting of 11 September 1979.

Rapporteur's remarks and proposals

4. The late arrival of this new supplementary budget would involve Parliamentary scrutiny of it alongside the concluding stages of the 1981 budgetary procedure. During the examination of the 1981 budget, various problems have emerged concerning the relationship between payment and commitment appropriations. The Commission has pressed hard for a substantial increase in payments in 1981 because of the growth of commitments in previous financial years and because of improvements in the mechanism for disbursement of these funds. This controversy has therefore established the indelible link between the level of payment appropriations in the two budgets. Council has already been obliged to increase the maximum rate of increase for non-compulsory expenditure to 19.9%. The Commission has nonetheless assured the budgetary authority, at various meetings of the Committee on Budgets, that even this rate will not be sufficient for it to honour its commitments in social, regional and other areas of Community policy.

5. It will be recalled that in 1980, on the basis of discussions with Council and Commission, the European Parliament decided not to exercise to the full its margin for increasing non-compulsory payments for that financial year. The information on which that decision was based, namely that problems in making sufficient payments subsisted, has proved erroneous. There is, on the contrary, a shortfall in payments for some of the key budgetary lines.

6. According to the classification of expenditure of Council the margin for increasing non-compulsory payments in the 1980 budget is 380 mEUA. ⁽¹⁾

7. This margin for increasing non-compulsory expenditure has been reduced as a result of the supplementary budget to 280 mEUA (380 mEUA minus 40 mEUA for Italy and 60 mEUA for the European Social Fund).

8. Your rapporteur believes that the full margin for increase in non-compulsory expenditure in 1981 remains available in 1980 and can be exploited on the occasion of the presentation of this draft budget.

(1) 301 mEUA (= 13.3% x 2,264 mEUA - total of NCE 1979)
+ 78.8 mEUA (difference between 1979 NCE total and 1980 NCE total
- 2,185.2 mEUA)

Council would appear to share this view in as much as its decision to introduce the draft budget has not led it to propose any change in the maximum rate.

9. Therefore, your rapporteur proposes completing the supplementary budget by strengthening certain payment lines within it. If this approach is adopted by Parliament during the first reading of the supplementary budget it will be possible for this extra aspect of the budgetary problems of the Community to be taken into account during the conciliation procedure prior to the adoption of both the 1981 budget and the 1980 supplementary budget no. 2. The conciliation procedure would therefore deal with the problem of the link between commitment and payment appropriations as a whole.

10. The Committee on Budgets proposes the following increase in non-compulsory expenditure (payments) in the 1980 supplementary budget no. 2 procedure:

(i)	draft supplementary budget no. 2	+ 100 mEUA
(ii)	European Social Fund increase to meet existing commitments in 1980	+ 40 mEUA (= total suggested by the Budgets Committee for retabling in the 1981 procedure)
(iii)	Food aid (Chapter 92)	
(iv)	Extra emergency aid for Italy	+ 20 mEUA (to take account of the growing awareness of the scale of the disaster)
(v)	Extra payments for the Social and Regional Funds, to be voted provisionally for the 1980 budget, under Chapters 50 and 51, ESF, but to be partly transferred to Chapter 55, Regional Fund, during 1981, according to needs	+ 171 mEUA
	TOTAL	331 mEUA

11. If this approach were to be adopted, the conclusions of the Budgets Committee of 9-11 December 1980 would have to be adjusted. It will be recalled that the Budgets Committee at that meeting proposed an increase in payments in relation to Council's amended draft of 215 mEUA. Should

it be agreed that certain increases in payments should be borne by the 1980 budget, the gap between the position adopted by Council and that by the Committee on Budgets would have narrowed very considerably as regards payments, and an agreement would thus have been facilitated.

12. One further aspect would need to be borne in mind. The sharing of the burden of increasing payments between the two financial years requires acceptance by the budgetary authority that a major carry-forward operation, under Article 6 of the Financial Regulation, would be necessary. However, for differentiated appropriations, payments may be carried forward automatically for one financial year (Article 6, paragraph 2b).

Conclusion

13. The approach put forward by the rapporteur may provide a means of overcoming the impasse concerning the level of payment appropriations for the 1981 financial year: an impasse which seems to have been exacerbated by the intransigence of Council.

14. Your rapporteur would propose that Parliament table a series of amendments to the draft supplementary budget, including the amounts put forward by the Committee on Budgets at its meeting of 9-11 December 1980, but originally destined for the 1981 financial year, and that the conciliation procedure could then use this device as a means of overcoming some of the difficulties as regards the 1981 budget.

