

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983-1984

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ANNEX

to the report by Mr Konrad SCHON

drawn up on behalf of the Committee on Budgetary Control

- Working documents on the various Community policies -

PE 83.306/fin./Ann.

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COMMITTEE ON BUDGETARY CONTROL

WORKING DOCUMENT

on

own resources

in preparation for the discharge for 1981

Draftsman: Mr H. NOTENBOOM

I. INTRODUCTION

1. This working document is based on the relevant chapter of the Annual Report of the Court of Auditors for 1981 and on the Commission document, Analysis of financial management, 1981, COM(82) 270 and the accompanying set of tables 'Compte de gestion et bilan financier'. The main problems arising in connection with management of the revenue side have already been reviewed by your draftsman in a report by the Committee on Budgets (Doc. 1-1006/82) on the amending and extending of Regulations 2891/77 and 2892/77 governing the operation of the own-resources system. This means that the material that would normally have been considered here at greater length can now be dealt with more briefly with references to conclusions and positions recently adopted by the European Parliament.

II. OUTLINE OF REVENUE IN 1981

2. Table 1 shows revenue actually collected in 1981 compared with revenue in 1980, and the 1981 estimates as initially drafted and subsequently adjusted in the course of implementation. The last two columns are an indication of how accurate the estimates were.

The estimates are reasonably accurate taken as a whole. This however is only because a serious initial overestimate (637 million ECU) of revenue from agricultural levies was offset by a higher than expected upward corrective to VAT receipts from previous years (545 million ECU).

The correctives made by the Commission to its initial estimates of receipts by supplementary and amending budgets 1/81 and 2/81 were in line with actual subsequent developments : i.e., the budgetary authority was receiving the right signals. Yet the question arises as to whether the Commission could not have adjusted its estimates earlier, i.e. on submission of amending budget No. 1/1981.

3. As regards the entry of the arrears of 165 million ECU (collected in 1981 but entered retrospectively for 1980) following the 1980 budget dispute, the Court of Auditors notes that the entry was not made in conformity with the Financial Regulation. Be that as it may, the European Parliament has in fact approved this entry by recently (14.1.1983) granting the discharge for 1980, which includes this item.

Table 1 : Outline of revenue for 1980 and 1981 (million ECU)

	1980		1981				
	Actual ¹ revenue	estimated revenue		Total entitle- ments ⁴	Actual revenue	% deviation from estimates	
		original ² budget	final ³ budget			original budget	final budget
Agricultural levies	1,535.4	1,902.0	1,310.2	1,264.9	1,264.9	- 33.5	- 3.5
Sugar and iso-glucose levies	466.9	571.1	463.5	482.5	482.5	- 15.5	+ 4.1
Customs duties	5,905.7	6,274.0	6,366.0	6,392.3	6,392.3	+ 1.9	+ 0.4
Own resources from VAT	7,258.5 ⁵	10,251.1	9,190.2	9,187.8	9,187.8	- 10.4	-
Financial contributions (GNP)	-	168.8	151.4	151.4	151.4	- 10.3	-
Miscellaneous revenue	182.2	160.6	160.6	225.0	179.0	+ 11.5	+11.5
Surplus							
- balance from previous financial year	455.9	t.e.	246.1	246.1	246.1	-	-
- adjustment to VAT from previous financial year	261.1	t.e.	546.1	548.8	545.0	-	- 0.2
TOTAL	16,065.7	19,327.6	18,434.0	18,499.1	18,449.1	- 4.5	+ 0.1
<u>p.m.</u>							
Milk producers co- responsibility levy	222.9	327.3	503.0	478.5	478.5	+ 46.2	- 4.9

¹ Revenue from current-year entitlements and entitlements carried forward

² Drawn up as at 23.12.1980

³ Subsequent to drawing up of supplementary and amending budget No. 2/1981, as at 21.12.1981

⁴ Current 1981 entitlements and entitlements carried forward

⁵ Including 165 million ECU in arrears paid in October 1981

4. We have added at the foot of Table 1 revenue from the milk producers' co-responsibility levy with a view to giving as complete a picture as possible of the actual revenue situation.

This overall view of the situation is concluded with Table 2, which shows the relative sizes of the different categories of revenue.

Table 2 : Percentage breakdown of revenue (actual income)

	1980	1981
Agricultural levies	9.6	6.9
Sugar and iso-glucose levies	2.9	2.6
Customs duties	36.8	34.6
Owr. resources from VAT	45.2	49.8
Financial contributions (GNP)	-	0.8
Miscellaneous revenue	1.1	1.0
Surpluses		
- balance from previous financial year	2.8	1.3
- adjustment to VAT resources from previous financial year	1.6	3.0
TOTAL	100.0	100.0

5. 'Autonomous' own resources (agricultural levies, sugar payments, customs duties) rose at a disappointingly low rate in 1981. Despite the accession of Greece, they increased by only 2.9%, whereas their average growth for the period 1978 to 1981 was 6.8% (see Table 3).

Table 3 : Growth of 'autonomous' own-resources in 1981 compared with average growth for 1978-1981

	1981	average annual growth 1978-81
Agricultural levies	- 17.6%	- 12.3%
Sugar contributions	+ 3.3%	+ 5.5%
Customs duties	+ 8.2%	+ 13.3%
Total 'autonomous' own-resources	+ 2.9%	+ 6.8%

The agricultural levies are declining structurally (owing to reductions both in amounts imported and the rate of the levies). In 1981 there was the additional effect of the strong appreciation of the US dollar against the ECU (average 21.8% compared with the previous year) on world market prices.

The sugar and iso-glucose levies fell behind their growth trend. The main reason for this has been that the Commission decided in 1981, in the light of firm prices on the international sugar markets at the time, that a zero production levy should be fixed both for sugar and iso-glucose for the 1980/81 marketing year. A corrective was subsequently introduced, but only began to affect revenue in 1982.

Growth in customs duties was also below par, primarily on account of a fall in volume of imports as a result of economic recession.

6. The Community's VAT receipts are distinct from its 'autonomous' own-resources. They should be regarded as a balancing item that closes the gap between expenditure and 'autonomous' resources. Since the total amount of the budget was reduced on two occasions (by 893.6 m ECU) there was in effect a refund of VAT resources to the Member States. This was adopted by the European Parliament at the time, chiefly because of the unexpectedly good VAT yield from the preceding year (the final percentage turned out to be higher than anticipated).

The initial VAT rate was fixed at 0.8906%. It subsequently fell to 0.8667% (budget No. 1/81) and to 0.7868% (budget No. 2/81).

Under amending and supplementary budget No. 2/1981 the VAT base was also amended from 11,510 to 11,680.3 m ECU. This slight increase (1.5%) will probably turn out to have been a corrective in the wrong direction, since 'the financial situation of the Community as at 31.8.1982' (COM(82) 632) reveals that in view of the agreed VAT rate of 0.7868%, the Member States have made excess contributions of 141.9 m ECU. It should be noted that the balance of VAT resources for 1981 (-141.9 m ECU, to be entered in 1982) is considerably lower than the balance for 1980 (+559.3 m ECU, entered in 1981). The Commission has thus succeeded in calculating more accurately the amounts owed under VAT.

7. Under the heading miscellaneous revenue the total amount conceals divergent trends in the component parts. The largest single item, or some 50% of the total, consists of deductions from salaries. Actual revenue amounted to only 92% of the estimate. The remainder of the miscellaneous revenue was in excess of the estimates, principally on account of interest earned.

8. The balance from the previous financial year (246.1 m ECU) includes 165 m ECU to cover arrears of VAT resources referred to above. (See para. 6 above.

The adjustment to VAT resources from the previous financial year results from a positive adjustment of 559.3 m ECU for 1980 and a negative one of 13.17 m ECU for 1979. The Court of Auditors is critical of the amount of this discrepancy and calls on the Commission to pay greater attention to its methods

of deriving estimates (subsequent calculations reveal that the corrective needs to be adjusted by a further 61 m ECU). In its reply the Commission states that the discrepancy is not due to inadequate calculating methods, but to external factors, including in the case of Italy, the highly successful effort to combat fraud owing to the introduction of a data processing system. In the light of this result and given articles that assume growth in the 'submerged economy' in virtually all Member States, your draftsman feels that the need to draw up systems and methods for recovering the unpaid portion of the VAT base cannot be too strongly emphasized.

It should be noted that the estimates for VAT resources in 1981 are more accurate (see paragraph 6 above) the discrepancy is currently only 142 m ECU, whereas a discrepancy of 620 m ECU (559 m and 61 m) was recorded for 1980.

9. Finally there is the question of entering the co-responsibility levy on milk producers as revenue. This conflicts with the usual Community view; this levy is in fact entered in the chapter on milk and dairy products as an item of negative expenditure. In my working document last year I defended the view that offsetting within expenditure distorted the transparency of the whole, and I pointed out that in this situation the danger could arise that not all provisions of the Financial Regulation would be correctly implemented. If the co-responsibility levy for 1981 had been entered as revenue, it would have accounted for 2.5% of the total and would have been on a par with revenue from the sugar and iso-glucose levies, to which it is of course economically related.

The present method of entering the co-responsibility levy also allows an inconsistency to appear in the presentation of the revenue allocated in the budget. Certain items of allocated revenue were indeed correctly entered as revenue, in particular Article 9.2.1 in the 1981 budget 'contributions by non-member countries participating in Community programmes', whereas no trace of other items of allocated revenue is to be found on the revenue side.

III. SPECIFIC PROBLEMS IN 1981

10. As a consequence of the budget dispute concerning (a) supplementary budget 2/80 and (b) the 1981 general budget, 165 m ECU in VAT resources were held back by three Member States, as were 11 m ECU by two Member States. Payment of 29 m ECU in interest penalties for the delay was not demanded by the Commission. The Court of Auditors considers that the Commission should not have waived this payment. The European Parliament too, in paragraph 30 of its

resolution containing the comments accompanying the decision granting a discharge for 1979 (OJ L No. 224, 1981) also considers that such payments should in future no longer be waived.

11. As regards the problems noted by the Court of Auditors in implementation of the revenue method (Method B) of determining the VAT base, it should be pointed out that with the amendment now in progress of Regulations 2891/77 and 2892/77 some of the inadequacies pinpointed can be made good. At the same time, it is clear that the quality and comparability of the national accounting systems of the different Member States should be reviewed, in particular where methods of determining the VAT base are concerned. Your draftsman urgently calls on the Commission and the Court of Auditors to find a solution to the problems that have hitherto prevented the statistics from being analysed in detail (Court of Auditors Report, paragraph 3.8). This point is also important in terms of improving the accuracy of the revenue estimates.

12. As a result of sales in tax-free shops to intra-Community travellers and the so-called 'butter trips', what is generally taken to be a substantial amount of Community own-resources (import duties, agricultural levies, a portion of VAT) is lost. The European Parliament supports the Commission in its efforts to get Member States to regularize the situation. Since the situation has been clearly stated following the judgment of the Court of Justice in July 1981, the Commission must, despite the resistance of the Member States, make every possible effort to ensure that this item is incorporated in the relevant regulations.

13. In its previous annual report the Court of Auditors pinpointed inadequacies in the Commission's collection procedure. A new procedure for the recovery of penalties has meanwhile been introduced. As regards the collection mechanisms themselves, no further measures for their improvement were adopted in 1981, so that where the number of cases is concerned, the situation as a whole has deteriorated. In its reply the Commission stated that it had taken a decision on 26 May 1982 on the reorganization of responsibility for collection and would shortly review the procedure. The Committee on Budgetary Control expects that this review will take place as soon as possible.

IV. PROBLEMS CONCERNING CONTROL

14. For the third successive year the Court of Auditors has noted instances of inadequate coordination between intervention offices and customs services in carrying out the provisions relating to agricultural levies. The existing

organizational system thus does not provide satisfactory guarantees of a correct collection and control procedure.

Your draftsman considers that priority must be given to identifying and improving all such aspects of organization, since a more than adequate result can be achieved through a minor reorganization of procedures and methods, and will not even entail any additional burden on the firms to be taxed, since it will apply only at administrative level.

The report of the Court of Auditors pinpoints a further inadequacy; no systematic control is carried out of import certificates that are not returned to prevent their being put to fraudulent use.

In another case the Court of Auditors indicated to the Netherlands that insufficient staff was being employed to provide effective control on responsibility for the release of securities in respect of imported frozen meat intended for processing and canning. The annual report of the Netherlands Court of Auditors for 1981 shows that reorganization of the control procedures brought 17 cases of fraud to light in 23 firms investigated over six months.

The value of controls on organization, systems and methods has been amply confirmed. As against the Commission's reply that the organization of such methods may well cost more than it brings in, it may be stated that preliminary random samples (possibly financed from the Commission's budget) can be used to determine whether systematic controls would be 'profitable'.

15. The foregoing point adds weight to the comment by the Court of Auditors on the computer system in use in Denmark that precludes controls on the centrally processed data for the amounts of Community own-resources collected by the customs offices. Care should be taken to ensure that any such systems set up will allow effective accounting controls to be made.

16. In the case of Greece, the Court of Auditors notes that controls on the collection of customs duties are seriously in arrears. Your draftsman supports the Court of Auditors in its intention to keep this matter under review. He would add that with the accession of a country comprising hundreds of islands, supervision of imports into the EEC has assumed a new dimension. It is expected that the Court of Auditors and the Commission will report to the European Parliament on the difficulties arising in this connection, on the existing customs infrastructure and its operation, and on the implications for control procedures.

17. In 1981 the Court of Auditors introduced on-the-spot controls on sugar and isoglucose levies. No serious inadequacies were identified. Inaccurate and insufficiently frequent inventory procedures were uncovered in two firms.

18. In the report by the Court of Auditors no systematic account is given of its own inspection visits or those of the Commission. It is recommended that details of these should be included in a subsequent report.

As regards fraud and irregularities, it should be noted that, in respect of both the own-resources sector and the EAGGF, exchanges of information take place between the Member States and the Commission. The European Parliament wishes to be better and more systematically informed as to the matters brought to light in this connection.

V. POSITIONS PREVIOUSLY ADOPTED AND RECENT DEVELOPMENTS

19. Before turning to recommendations to the general rapporteur on comments on the revenue sector, it will be convenient to sum up the positions recently adopted by the European Parliament.

In its comments on the granting of the discharge for 1979 it called for:

- co-responsibility levies to be entered as revenue (paragraph 19)
- the budget to be directly implemented as soon as it had been drawn up; Member States would not be permitted to hold back contributions and interest would be payable in respect of delays in payment (paragraphs 27 to 30).

In the comments on the granting of the discharge for 1980:

- the direct implementation of own-resources was again stressed
- the Commission was asked to guarantee the independence of the Community's own-resources from national budgets.

In the resolution on the recent amending/extending of Regulations 2891/77 and 2892/77:

- the Commission is asked to submit a report on the way in which the own-resources of the Community are shown in the national budgetary documents (paragraph 4)

- improvements in the reporting of frauds and irregularities and the introduction of local verifications are welcomed (paragraph 7).

20. Subsequently, in January 1983, your draftsman tabled an urgent oral question on the management to the end of 1982 of own-resources accounts with the national treasuries.¹ The answer indicates that the Commission has, by setting aside precisely the same amounts as in the rejected draft amending budget in specially created accounts in the Federal Republic of Germany and the United Kingdom, taken a political decision that conflicts with the clearly expressed wishes of the European Parliament as joint budgetary authority. Moreover, the Commission has acted in contravention of the provisions of Article 12(1) and (3) of Regulation 2891/77. To maintain the continuity and homogeneity of our activities, your draftsman feels that at the very least this point must be brought to the attention of the Committee on Budgetary Control and the Court of Auditors, having regard to its next annual report.

VI. CONCLUSION

21. On the basis of the foregoing we propose that the following paragraphs concerning own-resources and other revenue should be incorporated in the resolution on the discharge for the 1981 financial year:

The European Parliament,

- a- Recalls its resolution of 17 December 1982 on the amending and extending of the period of validity of Regulations 2891/77 and 2892/77, and wishes in particular to stress paragraphs 4, 6 and 7 thereof; similarly, in the transition period where two methods of determining the VAT base continue to be permitted, the Commission should pay particular attention to harmonization and to the accuracy of the national accounting systems of the Member States; in this connection the Commission and the Court of Auditors are urgently requested to find a solution to the problems that have hitherto prevented them from examining the relevant statistics;
- b- Reiterates its previously stated standpoint that revenue from co-responsibility levies should, in accordance with the rule that items should not be offset, be entered as an item of revenue. This would mean treating it by analogy with other items of allocated revenue, and would remove a long-standing discrepancy from the presentation of the budget;

¹ This matter is dealt with in greater detail in the annex hereto

- c - Reaffirms its standpoint that the declaration by the President of the European Parliament that the budget has been finally adopted provides a legal basis for its implementation; unilateral withholding of amounts by Member States must therefore be emphatically condemned and should in principle lead to the enforcement of claims for interest payments; expects that in its reports referred to in Article 29 of the Financial Regulation of 21 December 1977 the Commission will announce not only the amount collected but also its claims for interest resulting from delays in payment;
- d - Points out that the budget line 'flat-rate repayment to the Member States of costs incurred in collecting own-resources' (Item 4.0.0 in the 1981 budget) logically implies that the Commission can set minimal standards and control requirements in respect of the work of collecting for which repayment is made;
- e - Urges the Commission and the Court of Auditors to make a careful and sustained attempt to improve the systems, procedures and methods used by the Member States and the Institutions alike in the operation and control of the own-resources collection process.
- f - Expects the Commission and the Court of Auditors to report on the specific problems that have arisen in connection with the levying of customs duties and associated control procedures since the accession of Greece, a country comprising many hundreds of islands. The report should include an account of the existing customs infrastructure;
- g - The Commission is urgently requested to forward to the European Parliament, through its Committee on Budgetary Control, such information as it has concerning frauds and irregularities, specifying in each case:
- (a) the date on which the matter first came to its attention
 - (b) how diligently it has followed up the handling of the matter at national level,
 - (c) any measures that have been taken or should be taken to recover amounts outstanding;

- h- Expects that the Court of Auditors will, in its forthcoming Annual Report, make explicit reference to the manner in which the Commission's accounts with the treasuries of the Member States or with the institutions designated by the Member States (i.e., accounts within the meaning of Article 9 (1) of Regulation 2891/77 were managed, but already at this stage, on the basis of answers obtained from the Commission, expresses provisionally the view that the Commission
- a) in the political sense has disregarded the European Parliament's decision to reject the draft amending and supplementary budget No. 1/1982 and
 - b) has acted in contravention of Article 12(1) and (3) of Regulation 2891/77.

COMMITTEE ON BUDGETARY CONTROL

ANNEX TO THE WORKING DOCUMENT

ON
OWN RESOURCES

**Note on the revenue transfers
to the United Kingdom and Germany
at the end of 1982**

Draftsman: Mr H. NOTENBOOM

I. The facts

**The facts are summarized in Written Questions Nos. 1961/82
and 1962/82 and the replies thereto.**

EUROPEAN PARLIAMENT

Written Question No. 1961/82

by Mr Harry Notenboom (PPE - NL)

to the Commission of the European Communities

Subject: Draft supplementary and amending budget for 1982

1. What truth is there in press reports that the Commission - despite the rejection by Parliament of the draft supplementary amending budget for 1982 - has been arranging for the amounts earmarked for the United Kingdom and the Federal Republic in the abovementioned draft to be transferred to accounts in these Member States?
2. Are the accounts used those specified in Article 9 (1) of the Regulation 2891/77²?
If not, which are they?
3. On what provisions of the Financial Regulation is the Commission basing any financial arrangements it may be making, in the absence of budgetary provision?
4. Were the abovementioned arrangements prompted by instructions from the Council of Ministers? If so, which?
5. What sums, if any have been withdrawn from the treasuries of Member States (or from the institution appointed by such Member States) other than those mentioned in question 1 in order to carry out the arrangements concerned, and from which Member States?
6. Have sums also been transferred from central Commission accounts in Brussels for specific purposes to accounts in the Member States referred to in Question 1? If so, which?

OJ No L 336, 27.12.1977, p.1

(... January 1983)

03. 11. 1983

ANSWER GIVEN BY MR. TUGENDHAT ON BEHALF OF THE COMMISSION
TO WRITTEN QUESTION No. 1961/82 BY MR. NOTENBOOH

1. a) No payment has been made in connection with the expenditure which had been provided for in draft supplementary and amending budget n° 1/1982, and no payment will be made before the adoption of a budget authorising it and laying down the arrangements for it.

b) The Commission has opened new accounts with national treasuries, respectively in the Federal Republic of Germany (Bundeskasse) and the United Kingdom (Treasury Chambers). At 31 December 1982, the said account in the Federal Republic of Germany held Deutschemarks 486.920.700 (210 MECU) and that in the United Kingdom UKL 630.878.976 (1.092 MECU).

c) These are accounts, opened in the name of the Commission and which are at its disposal alone. These accounts have the same technical characteristics as those of the accounts opened earlier under the legal provisions cited at point 2.

2. The accounts under Article 9 (1) of Regulation 2891/77 were not used, but two new ones. The Commission felt it better to open these accounts which are clearly identifiable in the interest of transparency and control.

3. The measures adopted by the Commission are fully in accordance with the provisions of the Treaties (in particular Article 208 EEC) and the relevant legal provisions applying them.

4. No.

5. The purchases of sterling were made during the first half of December 1982 for an amount of UKL 287.407.001.70 and during the second half of December 1982 for an amount of UKL 49.000.000 (1).

They were carried out in close liaison with the central banks of the countries concerned, which had themselves carried out almost all of the transfer operations, thus greatly limiting recourse to commercial banks. For reasons of prudence, so as to avoid disturbances on the exchange market, the operations were spread out over time. That is the reason for which they were begun in the first half of December; the operation performed in the second half comprised only the sale of currencies which were then strong.

6. No.

(1) A breakdown of these amounts by currency has been communicated directly to the Honourable Member.

EUROPEAN PARLIAMENT

Written Question No. 1962/82

by Mr Harry Notenboom (PPE - NL)

to the Commission of the European Communities

Subject : Replacement of financial contributions from the Member States
by the Communities' own resources

1. Can the Commission provide a statement of the end-of-month balances for each month of 1982 in each of the 10 Member States on the accounts of the European Commission in the treasury of the Member State concerned, or with the institution appointed by the Member State (accounts established under Article 9 (1) of Regulation 2891/77¹ implementing the decision of 21 April 1970 replacing the financial contributions of the Member States by the Communities' own resources)?
2. Where more than one such account exists or has been opened, would the Commission supply the details for each account?
3. Finally, would the Commission furnish an explanation for any transfers to the said accounts which deviate from what should be regarded as the normal annual pattern,

¹OJ No. L 336, 27.12.1977, p.1

07. II. 1983

ANSWER GIVEN BY MR. TUGENDHAT ON BEHALF OF THE COMMISSION
TO WRITTEN QUESTION No. 1962/82 BY MR. NOTENBOOM

1. The statement of balances requested has been communicated directly to the Honourable Member.

2. For the amounts in the new accounts for the Federal Republic of Germany and the United Kingdom, see point 1 of the written question no. 1961/82 of the Honourable Member(1). For the accounts set up under Article 9 (1) of Regulation 2891/77, the amounts are, at end December 1982 :

- 117,769,000 Deutschemarks (50,791,000 ECU) for the Federal Republic of Germany and
- UKL 10,875,000 (18,823,000 ECU) for the United Kingdom.

3. The movements found to have taken place in 1982 do not suggest abnormal divergences. The cash management dealt with the various needs which arose in the course of the year.

(1) OJ C

II. Assessment

II. 1. Basic provisions

Article 208 of the EEC Treaty

The Commission may, provided it notifies the competent authorities of the Member States concerned, transfer into the currency of one of the Member States its holdings in the currency of another Member State, to the extent necessary to enable them to be used for purposes which come within the scope of this Treaty. The Commission shall as far as possible avoid making such transfers if it possesses cash or liquid assets in the currencies which it needs.

The Commission shall deal with each Member State through the authority designated by the State concerned. In carrying out financial operations the Commission shall employ the services of the bank of the issue of the Member State concerned or of any other financial institution approved by that State.

Article 12 - Reg. 2891/77

1. The Commission shall draw on the sums credited to the accounts referred to in Article 9(1) to the extent necessary to cover its cash resource requirements arising out of the implementation of the budget.
2.
3. The difference between the overall assets and the cash resource requirements shall be divided among the Member States, as far as possible, in proportion to the estimated budget revenue from each of them.
4.

II. 2. Basis for an assessment of the legal position

1. Article 12(1) of the Regulation attaches two conditions to the Commission's right to draw on the sums credited to the accounts opened with the Member States' Treasuries:

- a. the purpose must be to cover its cash resource requirements,
- b. these requirements must arise out of the implementation of the budget.

Since the Commission maintains that the transactions carried out last December were not payments, no cash resource requirements can have been involved. However, if these transactions can be regarded as having created cash resource requirements, it has to be said that these requirements certainly do not arise from the implementation of the budget.

At the time of the transactions made in the first half of December, there was as yet no budget. When the transactions in the second half of December took place, the supplementary budget had been rejected.

2. Article 12(3) requires the assets of the Commission to be divided among the Member States on a proportional basis.

This rule was violated firstly by transferring sums to the UK and Germany, and secondly by failing to restore the balance after the supplementary budget had been rejected (e.g. on paying advances under the EAGGF).

3. Article 208 of the Treaty establishing the EEC also contains the proviso: 'to the extent necessary'. Since there was no budget or regulation, there was no such necessity.

Next, Article 208 stipulates that these funds must be used 'for purposes which come within the scope of this Treaty'. Transfers of funds without legal authority (budget or regulation) and by way of derogation from the provisions of Article 12(1) and (3) cannot constitute purposes within the scope of the Treaty.

4. The Commission's contention that this action was taken for reasons of prudence, so as to avoid disturbances on the exchange market, is not very convincing.

The second reading by the European Parliament was scheduled for 16 December. In other words, there were still two weeks to go before the end of the year, i.e. a similar period to that actually used ('in the first half of December').

The transactions made after 16 December clearly conflicted with the rejection of the budget.

5. While it cannot be denied that the Commission skilfully avoided the problem of awarding interest to the UK and Germany by this action, it is true nevertheless that the Commission also usurped the right of the budgetary and legislative authorities to take this decision on the allocation of interest. This could constitute an infringement of the articles governing the powers of the Institutions (EEC Treaty, Articles 137 (Parliament), 145 (Council), 155 (Commission) and 199 et seq. (budgetary authority)).

6. The question also arises whether the act of opening a special account and placing in it the exact sum, to the nearest ECU, required to finance the measures provided for in the supplementary budget which was rejected by the EP, does not constitute a political challenge to the decision to reject this budget. This point is all the more relevant in view of the fact that, in the present situation, the Member States can draw on Community funds in the accounts with their national Treasuries until such time as the Commission withdraws these funds.

7. In the light of these events, it has to be said that the provisions relating to the management of cash resources and assets in the accounts opened with national Treasuries are inadequate. This situation should be remedied, e.g. when the time comes to revise the Financial Regulation and its implementing provisions.

COMMITTEE ON BUDGETARY CONTROL

Working Document

on the
implementation of the 1981 general budget of the
European Communities; (expenditure on energy and
research)

Draftsman: Mr H. SABY

INTRODUCTION

1. In giving the discharge for any particular financial year, Parliament has to satisfy itself that

- the actual pattern of expenditure has reflected as far as possible the policy intentions expressed in the budget;
- waste or extravagance has been kept to a minimum; and
- faulty or inadequate procedures in the management of Community funds are being rectified.

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ENERGY

2. The allocation of funds to the energy sector has tended to fluctuate and in recent budgets has been as follows (Chapter 32 prior to 1982, then Chapters 70 and 71):

	<u>Commitments</u>	<u>Payments</u>
1979 budget	57.0 mECU	50.5 mECU
1980 "	97.0	77.1
x 1981 "	107.0	33.0
1982 "	66.8	49.1
1983 "	77.8	65.6

The bulk of these funds was intended to provide the Community's contribution to projects demonstrating various aspects of new technology - i.e. the intermediate stage between research and full-scale commercial exploitation - in three main fields: exploration for hydrocarbons, new sources of energy, and energy saving. Such demonstration projects accounted for 99% of commitments in the energy budget in 1981, and 89% of payments.

3. The poor utilisation of funds has been the one central issue in this sector. Many have been disappointed with the lack of a substantive, Community-funded, energy policy, but this poor utilisation has been a stumbling block to faster progress. Utilisation in recent years has been as follows:

Commitments (mECU)

	Entered in budget	Total approps. avail.	Approps. used	% utilisation	Cancelled	Carried Forward
1979	57.0	123.9	69.3	56	21.5	33.1
1980	57.0	131.9	104.5	79	-	27.4
1981	107.0	137.5	64.1	47	1.1	72.2

Payments

	Entered in budget	Total approps. avail.	Approps. used	% utilisation	Cancelled	Carried Forward
1979	50.5	96.7	28.8	30	18.8	49.1
1980	77.1	116.2	41.4	36	1.4	74.2
1981	33.0	105.9	61.2	58	12.7	31.6

4. The above figures portray a most unsatisfactory situation, all the more so when it is recalled that Parliament has consistently accorded a very high priority to the energy sector when drawing up the budget. In its "guidelines" resolutions of 10 May 1977 (for the 1978 budget), of 14 April 1978 (for the 1979 budget), and of 16 March 1979 (for the 1980 budget), prominence was given to the development of energy policy in general and demonstration projects in particular. There was no "guidelines" resolution for the 1981 budget, but there could hardly have been a clearer declaration than that of the rapporteur in the budget debate (14 October 1980):

"All the political groups have given energy spending top priority".

5. For every year, therefore - not just the 1981 budget under discussion here but at least the three previous ones as well - Parliament stressed the importance of the energy sector both in its resolutions and in the amendments it passed. Yet in 1981 this sector was typified by:

- a utilisation rate of funds of around 50%, affecting two out of the three main fields of expenditure (demonstration projects for hydrocarbon exploration doing rather better than those on new sources of energy and energy saving);
- virtually no payment appropriations being used in their "correct" year (use of 1979 payment appropriations in 1979 was 2.8%; of 1980 appropriations in 1980, 3.5%; and of 1981 appropriations in 1981, nil). Those appropriations that are carried over and spent the following year are devalued by inflation;
- substantial cancellations of payments - amounting to around one-fifth of the appropriations entered in the budget over the same three year period (1979-81).

6. The Court of Auditors made no comment on the energy sector in its 1981 general report (nor indeed its 1980 report). Perhaps this is not so surprising. The one central issue - low utilisation of funds - has been criticised over and over again, not least by the Court of Auditors in its 1979 report.

7. The problem has several aspects. Procedures within the Commission for handling applications for aid were criticised in the Court of Auditors' report for 1979. Calls for tender cause indigestible surges of applications; for the solar and energy-saving programmes particularly, there are a large number of small applications to process. Delays therefore occur in obtaining complete information, and selecting suitable projects. These delays are exacerbated by the difficulties outlined below. With such an extended procedure, applicants tend to withdraw even when selected. From 1982, there has been open tendering, intended to give a steadier flow of applications.

8. The relevant regulations require that Council approve the selection of projects made by the Commission. This requirement has become linked with the resistance of some Council delegations to raising the ceilings for expenditure. (The regulations also specify ceilings for expenditure.) Parliament and Council have been in fundamental disagreement on this issue for some time, Parliament believing its budgetary powers to be infringed. It has now been agreed in the Joint Declaration of the Presidents of the three Institutions (30 June 1982, OJ C 194/1982) that there should be no such ceilings in future regulations.

9. The ceilings, the progress of budget appropriations towards these ceilings, and the actual use of funds relative to the ceilings can be summarised as follows (in mECU):

Ceiling	Commitments		Payments	
	Budget (cumulative)	Used (cumulative)	Budget (cumulative)	Used (cumulative)
1978	15	0	6	0
1979 150 (initial)	47	27	25	4
1980	119	93	65	16
1981	202	128	94	47
1982 205 (July)	243	-	122	-

From this it can be seen that the 1981 budget surpassed the ceiling set in the regulations, at least for commitments (cumulative total = 202 mECU, compared with a ceiling of 150 mECU). Even by the end of 1981, however, the Commission had managed to commit only 128 mECU in commitments and a bare 47 mECU in payments. Of course, the need for Council approval of the projects selected was a clear obstacle as cumulative commitments approached the 150 mECU ceiling towards the end of 1981. Lack of such approval, however, was hardly an excuse for poor utilisation of payment appropriations. It would have been easier to confront and overcome this obstacle if the Commission's management record in previous years had been better.

The year 1982 was marked by the signing of the Joint Declaration on various measures to improve budgetary procedure, on 30 June 1982. With the raising of the ceilings of the existing regulations, there was improved use of funds in the second half of the year; the ceilings will remain a problem until the new regulations are adopted, however.

10. The present regulations start to expire in 1983 and the Commission has proposed new regulations. Parliament's resolution (29 October 1982, OJ C 304/1982 p. 263) on these proposals welcomed the omission of both ceilings and selection of projects by bodies without special competence. The inclusion of ceilings in new regulations is not permissible under the terms of the Joint Declaration of 30 June. Council must be pressed to adopt these new regulations as soon as possible. The Commission will then have no further excuse: it must be observed that, early in 1983, its new procedures and open tendering have yet to make a noticeable impact on the problem.

CONCLUSIONS CONCERNING THE ENERGY SECTOR - it is considered that:

- Parliament has consistently attached high priority to this sector, and underlined this importance for the year in question, 1981;
- the poor rate of utilisation constitutes an important failure in putting into effect the political decisions embodied in the 1981 budget;
- the responsibility for this result is shared between the Commission and Council;
- Council should be reminded of the provisions of the Joint Declaration of 30 June 1982, in particular on the need to avoid financial ceilings in regulations, and should take an early decision on replacement regulations.

RESEARCH

11. The allocation of funds to the research sector (Chapter 33 prior to 1982 and Chapters 72 and 73 thereafter) has followed this pattern in recent budgets (mECU):

	<u>Commitments</u>	<u>Payments</u>
1979 budget	142.4	196.4
1980 "	312.8	276.5
*1981 "	271.4	255.5
1982 "	347.6	320.2
1983 "	429.1	412.7

12. Just under one-half, on average, of these appropriations were spent on direct action, i.e. in one of the establishments of the Community's Joint Research Centre, and the remainder on indirect action, i.e. projects outside the JRC wholly or partially financed by the Community (mECU):

	<u>Commitments</u>		<u>Payments</u>	
	<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
1979 budget	32.2	110.2	113.8	82.6
1980 "	132.4	180.4	126.9	149.6
*1981 "	148.0	123.4	139.5	116.0
1982 "	154.7	192.9	142.7	177.5
1983 "	157.3	271.8	156.8	255.9

Community research started under the auspices of the Euratom Treaty, and the emphasis continues to be on nuclear problems, both within the JRC (about two-thirds nuclear) and outside where the indirect action is dominated by the JET and associated fusion programmes. Non-nuclear research accounts for less than a quarter of the whole, although the Parliament has constantly tried to extend the scope of the latter.

13. Turning to the utilisation of funds, the figures for the research sector give some cause for comfort after those for the energy sector. For Chapter 33 as a whole they are (in mECU):

	Entered in budget	Total approps. avail.	Approps. used	% utilisation	Cancelled	Carried Forward
<u>Commitments</u>						
1980	312.8	398.9	266.6	67	0.8	131.5
1981	271.4	427.2	356.8	84	13.4	57.1
<u>Payments</u>						
1980	276.5	360.8	249.9	69	0.7	110.3
1981	255.5	369.7	295.5	80	13.8	60.4

Although utilisation was above 80% for both commitments and payments, there clearly remains scope for improvement when around one-quarter of the appropriations have to be carried forward even in a good year, to be devalued by the effect of inflation.

14. There was not a great difference between the utilisation of funds allocated to direct action and those allocated to indirect action, at least for 1981. The JRC used 80% of its commitment appropriations, and 76% of payment appropriations, and virtually all the relatively-modest appropriations cancelled were associated with one programme, namely that for Super-Sara. The delays and political indecision bedevilling this programme have continued into 1983.

It is certainly most regrettable, in view of the money and effort that has been devoted to it, that this programme is now being abandoned; this represents a deplorable waste of funds and scientific effort. Whatever the reasons for this situation, there remains the question of principle that Parliament approved transfer 43/82 (which provided 16.5 mECU for this project) on the explicit assurance of the Commission that the appropriations would in all circumstances be used to continue this project.

15. Of the appropriations allocated to indirect action, 86% of commitments and 84% of payments were used; this was noticeably better than in 1980, when the equivalent figures were 53% and 64%. It should not be overlooked, however, that around one-third to one-half of the appropriations allocated to indirect action are devoted to JET and the associated fusion programme: these have a near-perfect utilisation record, and the other programmes are correspondingly below the average. The Court of Auditors outlined some of the outstanding problems in its report on the 1981 financial year; for example, the lengthy procedures which meant that the first payments in the 1979-83 programme for new energy sources were not made until the second half of 1981 (OJ C 344, 1982, para. 8.14).

16. Although the research sector is often cited as one where it is very logical for the Community to play a leading role - because of the advantages of exchanging information and avoiding duplication of effort - it is difficult to discern a clearly-stated and consistent policy for research. The extension of activities beyond the original emphasis on nuclear research seems to have happened in a very ad hoc fashion. Parliament has passed opinions on the JRC's four-year programmes (that for 1980-83 covers the relevant year) but these only cover part of the Community's research activities, and its first comprehensive statement for some years was the resolution of 18 November 1982 on the "common research policy: problems and prospects" (OJ C 334, 1982).

17. Nor have Parliament's resolutions setting out guidelines for recent budgets been very specific on the topic of research, which was mentioned in the context of energy or industrial policy, if at all.

18. It must be said that the presentation of research activities in the budget is hardly conducive to a clear understanding of what subjects are covered or how the research is undertaken, and hence to the development and pursuit of clear priorities. In 1981 for example:

- the appropriations for indirect action (45% of the whole) were spread over 30 lines of which five had an average allocation of around 19 mECU, but the remaining 25 had less than 1 mECU each; the range was from 22,000 ECU (food technology) to 39,600,000 (JET); appropriations for direct action were much more evenly spread;

- some important lines covered a multiplicity of activities, making it difficult to discern the effort devoted to particular subjects. Direct action on new sources of energy (line 3340) encompasses solar energy, hydrogen production, fusion power, and high temperature materials, for example;
- such grouping of activities as occurred was artificial because of the partial nature of Community research work: for example, "technological development" (Article 337) comprised only biomolecular engineering and food technology. The grouping around various themes proposed in the preliminary draft budget was not subsequently pursued, trebling the number of budget lines.

19. The picture is confused because of the broad range of subjects on which there are research projects, the various modes of Community action, and the multiplicity of small, old programmes. This confusion is compounded by constantly changing budget nomenclature, and the Court of Auditors has commented adversely on this (OJ C 344, 1982, para. 8.3).

20. The Commission has put forward a framework programme which tries to inject some logic into the Community's research activities (COM(82) 865), dividing them into six or seven main themes. Council has yet to react to this proposal. If each budget line were to refer to only one of these themes, and if lines referring to the same theme were grouped together (albeit maintaining the division between direct and indirect action), then the budgetary principle of clarity would be better served. The Commission has made a move in this direction by regrouping environmental research, but much more could be done. The budgetary authority could then make a better-informed choice of priorities when drawing up the budget, and Parliament would be better able to judge during the discharge procedure if those priorities had been put into effect.

21. The nature of research work is such that the budget is inadequate in itself as a management tool for research undertaken directly by the Commission. Manpower is a larger input than for other Community policies, and its cost cannot sensibly be allocated to the administrative budget. Similarly, although multiannual planning is necessary, it must be flexible enough to allow for the unforeseen circumstances of research work. To this end the JRC has its "functional budget" which classifies the expenditure according to end-use (as identified in the Community budget) when in reality it is incurred according to type (staff, services, equipment, etc).

22. In its report on the 1980 financial year, the Court of Auditors considered that the JRC functional accounting system was "not being adequately exploited in that it is not being used as a management tool" (OJ C 344, 1981, para. 8.4), and the Commission's paper on the functional budget (SEC(81) 1787) accepted that movements of appropriations had been excessive, that the presentation of budget information was confusing, and that the internal management rules needed tightening.

23. In its latest report the Court is now "confident that discussions which are underway will lead to useful improvements in the JRC's management procedures" (OJ C 344, 1982, para. 8.5). Nevertheless a balance has to be drawn between the legitimate needs for flexibility on the one hand and for budget scrutiny on the other. Welcome as these improvements are, budget scrutiny might be better served by entering for each programme in the Community budget itself sub-headings of the type in the functional budget, covering staff, services, equipment etc. The opportunity to do so is at present available with the revision of the Financial Regulation, when the section concerning research could be overhauled.

CONCLUSIONS CONCERNING THE RESEARCH SECTOR - it is considered that

- the fragmentation of the budget obscures the expression of research priorities, undermining the role of the budgetary authority in setting the budget and of Parliament in giving the discharge;
- the utilisation of funds is satisfactory, but there remains much scope for improving and speeding up procedures;
- the nature of research work necessitates a special budgetary regime, but it is unclear if the present arrangements strike the best balance between management needs and sound budgetary control.

24. The draftsman asks the rapporteur for the 1981 discharge to take account in his draft motion for a resolution of the conclusions appearing after paragraphs 10 and 23.

COMMITTEE ON BUDGETARY CONTROL

WORKING DOCUMENT

on
the European Social Fund in 1981

Draftsman: Mr P. MARCK

I. INTRODUCTION : the position so far

1. The following figures (in million ECU) place the trend in appropriations for the European Social Fund in perspective.

	<u>Commitments</u>		<u>Payments</u>	
	Appropriations available for commitment	Commitments entered into	Appropriations available for payment	Annual payments
1978	571.2	568.1	584.3	284.8
1979	823.8	774.5	829.6	595.7
1980	1,022.0	1,020.8	933.9	735.2
1981	1,108.4	996.2	819.0	745.8
1982 (1)	1,352.7		1,015.8	
1983 (2)	1,696.5		1,350.0	

(1) Budget after transfers 30/82 and 20/82

(2) Budget.

It is at once apparent that the appropriations under review have shown rapid growth, and that they will grow still further in the years after 1981. Thus the annual payments for the ESF amounted to 4.2% of total payments under the 1981 budget and 11% of payments other than those for the agricultural guarantee. In 1983 these percentages, on the basis of the initial budget, should be 6.3% and 18% respectively.

II. SPENDING OF APPROPRIATIONS IN THE FINANCIAL YEAR 1981

(a) Commitment appropriations

2. In 1981 the Commission had at its disposal 1,108.4 m ECU in commitments. Of this 996.2 m ECU (90% of the available amount) was actually committed :

	Million ECU
1981 budget (after supplementary and amending budgets)	963.0
Balance remaining from 1980	+ 6.9
Appropriations released from commitments entered into 1980	+ 99.8
Amendments as a result of ECU fluctuations	+ <u>38.7</u>
Definitive appropriations for 1981	1,108.4
Commitments entered into in 1981	996.2
Commitment appropriations remaining at end of 1981	112.2
p.m. transfers within the ESF (for details of chapter, article and item, see annex I)	(1.0)

3. The percentage of appropriations used was only 89.9% compared with 99.3% in 1980. The Commission's explanation for the surplus of 112 million ECU (a reserve for exchange rate fluctuations, parity adjustments within the EMS, delayed release of unused funds by the Member States) does not permit the approval of this situation. Where activities are regarded as priorities, management should make an extra effort to reduce such surpluses to a minimum. After all, almost three months elapsed between the parity adjustment and the end of the year!

4. In 1981 a sum of 230.3 million ECU of previously committed appropriations was again released. This figure breaks down as follows:

	Million ECU	
amounts released - from unpaid commitments from financial years prior to 1980	116.1	cancelled
- from commitments for 1980	99.8	re-used
- from commitments for 1981	<u>14.4</u>	re-used
	230.3	

5. A level of cancellation as high as this (116.1 million ECU) must be deeply deplored. From the reasons given by the Court of Auditors it may be concluded that cancellations could be eliminated

- through improved and faster reporting by the Member States to the Commission
- through better estimates from the project promoters.

The Commission is working for an improvement in management in this field. From 1 January 1982 arrangements have been made for the use of a new form for the payment of advances, additional payments and payment of balances. According to the Commission (in its tenth report on the ESF) this should improve management of the assistance granted and pave the way for gradual computerization of the Fund. When examining the activities of the ESF in 1982 Parliament should ascertain whether any noticeable progress has been made in this field.

6. The appropriations which were decommitted and reused also account for a high figure (114.2 million ECU). The draftsman supports the Court of Auditors' comments on the value of preparing a general statement of the amounts concerned and the reasons why they are being released, so that the Commission could take this into account when preparing its budget estimates. Steps must also be taken to prevent a file which has already been withdrawn from being the subject of an approval and commitment decision (point 6.7, Court of Auditors Report).

7. In 1981 the gap between applications given priority and available appropriations widened further. Thus the shortfall of funds in relation to priorities reached 53% of available appropriations compared with only 19.5% in 1980. Moreover it is clear that the national authorities have already performed a preselection of their own. The weighted reduction system thus served to eliminate applications for assistance amounting to 704 million ECU compared with 234 in 1980 (see Annex III).

(b) Payment appropriations

8. The picture for the availability and use of payment appropriations in 1981 was as follows:

	Million ECU
- 1981 budget	620.4
- carried forward from 1980	<u>198.7</u>
- available	819.1
- payments	745.9
- carried over to 1982	73.0
- cancellation	0.2
- p.m. transfers within the ESF (for details of chapter, article and item : see Annex II)	(31.0)

The rate of payment was 91.%, which cannot be regarded as satisfactory.

9. Such dissatisfaction increases when it is realised that not only was a total of 73 million ECU not used, but moreover applications for advances amounting to 85.9 million ECU (including 63 million for activities relating to young people) could not be paid! (Tenth report on the ESF, p 17)

The fact that the problem cannot be solved by transfers from one chapter to another can only point to a lack of flexibility in the management of this sector, or perhaps suggests that information provided by the Member States to the Commission, or the Commission's request for information, has been overdue.

10. As regards the balance of non-utilized appropriations which has accumulated over several years, a positive development can be noted. For the first time the balance has diminished slightly: from 1,399.9 million ECU at the end of 1980 to 1,375.7 ECU at the end of 1981.

The change for the better, suggested in 1980, is thus confirmed and may be partly explained by the action taken by the Commission in 1979 to reduce the period for the submission of applications for payment of the balance to 18 months.

III. SECTORAL ANALYSIS

11. The following aspects will be considered from two points of view:

- in drawing up the 1981 budget, Parliament fixed certain priorities by increasing the appropriations; concerned to what extent was this taken into account during implementation?
- in a resolution on budgetary control aspects of the ESF (dated 15 October 1981) paragraph 21 calls for more detailed sectoral analysis in this year's ESF report, and requests that 'detailed information on possible ways of improving the Member States' administrative systems, sums misspent and the remedial measures taken and their results be given'.

12. With regard to more detailed sectoral analysis, it is gratifying to note that in its tenth report on the ESF for 1981 the Commission does devote considerable space to reporting on the separate sectors. From the discussion on this point the draftsman concludes that, in view of the large discrepancy between the amounts requested and budget funds, the selection criteria used in sorting applications into priority group are extremely important. Since what is here involved is primarily the nature of social policy priorities a draftsman concerned with budgetary control aspects can only point out that even in this area where applications are 'filtered', great vigilance is called for on the part of the EP.

13. Parliament increased a number of budget lines during the budgetary procedure. By and large the commitment or payment of appropriations responded to this signal. Some individual cases may be mentioned:

budget nomenclature	5.011 Young people: employment	5.03 migrant workers	5.05 women	5.100 regions improving employment
draft budget	60.0 (108.0) (1)	21.0 (30.0)	12.0 (22.0)	250.0 (368.0)
Budget	69.6 (108.0)	21.0 (30.0)	12.0 (22.0)	269.2 (395.0)
transfers	- 9.0 (-)	+ 14.0 (+ 0.7)	- 6.2 (-)	- 15.0 (-)
Carried over from previous year	+ 21.6 (+ 10.2)	+ 0.1 (+ 0.4)	+ 3.9 (+ 3.5)	+ 139.4 (+ 71.2)
Final appropriation	82.2 (118.2)	35.1 (31.1)	9.7 (25.5)	393.6 (466.2)
Payments/commitments	82.1 (104.0)	34.9 (30.6)	9.7 (22.6)	324.4 (416.3)

¹ payment appropriation
(commitment appropriation)

As a result, in the case of lines 5.011 and 5.100, some of the appropriations increased by Parliament are once again cancelled by transfers. It is true that in both cases appropriations were released from preceding years, but in the annual report on the ESF the Commission refers with regard to line 5.011 to a final shortfall of payment appropriations in respect of requests for advances of more than 63 m ECU in the categories relating to young people (5.010 to 5.011)!

Payment appropriations for line 5.03 were considerably increased and also used. In the light of comments on line 5.011 it must however be said that this was a deviation from the priorities laid down by Parliament.

On line 5.05 an appreciable cut in payment appropriations is apparent.

As to the second aspect called for in the resolution referred to above, it is a cause for regret that the Commission goes no further than the lapidary statement in its ESF report that a programme has been established and that there has been an analysis of the administrative and financial systems of the national authorities and the main beneficiary organizations in the four Member States.

14. In the Wettig and Key Resolutions Parliament attached emphatic importance to the introduction of control of results, by which the effectiveness of ESF measures should be assessed. However, the annual report on the ESF does not mention this at all. While the number of persons intended to benefit from each measure is shown, this hardly comes under the category of control of results.

The draftsman believes that this point should again be stressed and must not be overlooked now that the review of the ESF is under way.

Following the Court of Auditors' investigation of the pilot schemes and preparatory studies sector in their annual report for 1980 the Commission introduced a number of improvements in 1981. The Court of Auditors welcomes this development.

IV. SPECIFIC PROBLEMS WITH CONTROL

15. In its 1981 report the Commission reviews on the spot checks in 50 cases. As a result, procedures were put in hand to reduce the level of assistance and reclaim all or part of advances unduly disbursed. However, the Commission gives no details of the number of cases, nor of the sums involved, despite the request in paragraph 21 of the Wettig Resolution (15 October 1981) referred to above.

16. In the case where only one third of the advances paid by the ESF could be justified, the Court of Auditors states (in point 6.19) that a new project had been proposed to the Commission which, if accepted, would be implemented without any further Community financing. The draftsman cannot express agreement with this state of affairs. The advances disbursed without justification must be reclaimed. Obviously the proposed procedure could set an unacceptable precedent. The Commission has since indicated that the new project has not been approved and that a substantial repayment has been made.

17. In point 6.15 the Court of Auditors draws attention to a number of shortcomings in examinations by the ESF departments prior to the payment of balances. The Court of Auditors considers that some of the expenditure approved by the ESF does not wholly comply with the regulations and guidelines. The Commission's reply to this is extremely evasive. Furthermore, the Court of Auditors and Commission give different figures for on-the-spot checks.

18. Paragraph 22 of the Wettig Resolution referred to above expects the Court of Auditors to complete its survey and analysis of the Member States' administrative systems and to report fully to the European Parliament on the conclusions to be drawn. This is rather briefly touched upon in the annual report, concluding with two recommendations to the Commission, namely (a) that its procedures for examining cases should be improved, and (b) there should be better understanding by the ESF of national systems of application for assistance and payment. The

Commission replies that it is taking action on this. The Court of Auditors should follow this up.

V. OTHER MEASURES IN THE SOCIAL SECTOR

19. In addition to the ESF there are a few other budgetary items affecting the social sector. These are discussed below.

Article 5.4.0 'special contribution to the ECSC for social measures in connection with the restructuring of the steel industry', which was entered in the budget by Parliament with a p.m., and endowed with 62 m ECU (unsplit) appropriations in supplementary and amending budget 2/1981, remained unused in the absence of provision by the Council of a legal basis.

The budgetary authority agreed to a non-automatic carry-over to 1982.

20. The use of appropriations for emergency aid and the victims of natural disasters in the Community is shown in the table below. The Court of Auditors makes no specific comment.

	million ECU	
appropriations 1981	21	
carried over from 1980	40	
available 1981	61	
utilized	58.4	- of which 54.9 Earthquake S Italy Nov. 80 3 Earthquake Greece Feb. Mar. 1981 0.5 Storms Denmark Nov. 81
cancelled	2.6	

VI. CONCLUSION

21. A number of shortcomings in the operation of the ESF are of a very persistent nature. They therefore compel us to repeat some of the comments already expressed in previous reports and documents.

Thus there is still the problem of an excessive level of committed appropriations, the use of which is no longer justified. The ESF departments must step up their present endeavours to ensure not only that the sums are cancelled but also they are reused at an early date.

Information on controls carried out also remains too sparse. Parliament insists that reports on this area must be more comprehensive.

In sum, many of the comments made suggest that there is a certain lack of flexibility in the operation of the ESF. The review of the ESF, the procedure for which is under way should remedy this. The draftsman urges the review also to consider minimising administrative inflexibility, which has too frequently resulted in a less than optimal use of appropriations in the management of ESF affairs.

22. Finally, we propose that the following points be incorporated in the resolution on comments to be made in respect of the discharge for 1981:

The European Parliament,

- A - Notes once again that the regulation, operation and administration of the ESF are hampered by a lack of flexibility in many cases. as a result of which this instrument, which is required to give practical shape to policy regarded by the budgetary authority as high priority, cannot operate at peak efficiency; therefore urges that in the review of the instrument concerned efforts should be made to achieve greater flexibility not only in its objectives but also in its day-to-day organization and administration;
- B - Is aware that, to a large extent, the lack of flexibility is attributable to the Member States but nonetheless considers that the Commission should bring greater pressure to bear on the Member States to streamline their cooperation in the management of ESF funds;
- C - Welcomes the fact that significant progress has been made in the administration of 'pilot schemes and preparatory studies';
- D - Calls to mind its resolution commenting on the discharge for 1980 (dated 14.1.1983) and particularly paragraphs 9 and 10 thereof; duly reiterates its view that procedures must be developed for effective assessment of the results achieved by the ESF, and that conclusions must be drawn from examination of the various national systems for the management of ESF projects to improve the effectiveness of projects receiving ESF support and of national and Community administrative efficiency; expects this aspect to be reported on;

Table 6.1 - Commitment appropriations available in 1981

(Mio ECU)

Budget heading		Budget (after supplementary and amending budgets)	Commit- ment appropri- ations remaining	Transfers of appro- priations	1980 com- mitments released and re-used	Final appropri- ations: (2)+(3)+(4)+(5) var- iations due to ECU	Commit- ments entered into in 1981	Commit- ment appropri- ations remaining at the close of 1981
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8) = (6) - (7)
Agriculture and textiles	500	18.0	0.8	—	4.4	24.8	20.8	4.1
Young people — training	5010	264.0	—	-0.7	26.5	300.3	269.8	30.5
Young people — employment	5011	108.0	—	—	7.0	118.2	104.0	14.2
Handicapped persons	502	—	—	—	—	—	—	—
Migrant workers	503	30.0	0.5	+0.7	0.1	31.1	30.6	0.5
Women	505	22.0	0.2	—	3.4	25.5	22.6	2.9
Chapter 50 — Total		442.0	1.6	—	41.4	500.0	447.8	52.2
Improvement of employment situation	510	428.0	5.2	—	55.1	510.4	456.3	54.1
Handicapped persons	511	90.0	—	-0.3	3.2	94.5	88.9	5.6
Industrial conversion	512	p.m.	—	—	—	—	—	—
Chapter 51 — Total		518.0	5.2	—	58.3	604.9	545.1	59.7
Chapter 52 Pilot schemes and preparatory studies		3.0	0.1	+0.3	—	3.5	3.2	0.3
Total		963.0	6.9	—	99.8	1 108.4	996.2	112.2

Source: Annual report of the Court of Auditors concerning the Financial Year 1981 accompanied by the replies of the institutions (OJ C 344, 31.12.1982).

Table 6.2 - Payment appropriations available and their utilization

Budget heading	A. Payment appropriations of the 1980 budget					B. Carryover from 1980		C. Total payments made in 1981
	Initial budget	Transfers of appropriations	Final appropriations	Payments made	Carryovers to 1982	Appropriations carried over from 1980	Payments made	
(1)	(2)	(3)	(4) = (2) + (3)	(5)	(6) = (4) - (5)	(7)	(8)	(9) = (5) + (8)
Agriculture and textiles 500	11.0	2.0	13.0	12.5	0.5	1.7	1.7	14.2
Young people — training 5010	172.2	-0.8	171.4	171.2	0.2	22.4	22.4	193.6
Young people — employment 5011	69.6	-9.0	60.6	60.5	0.1	21.6	21.6	82.1
Handicapped persons 502	1.0	—	1.0	0.3	0.7	—	—	0.3
Migrant workers 503	21.0	14.0	35.0	34.8	0.2	0.1	0.1	34.9
Women 505	12.0	-6.2	5.8	5.8	—	3.9	3.9	9.7
Chapter 50 — Total	286.8	—	286.8	285.1	1.8	49.7	49.7	334.8
Improvement of employment situation 510	286.8	-15.0	271.8	202.6	69.2	144.4	144.4	349.4
Handicapped persons 511	44.8	15.0	59.8	59.8	—	2.6	2.6	62.4
Industrial conversion 512	p.m.	—	p.m.	—	—	—	—	—
Chapter 51 — Total	331.6	—	331.6	262.3	69.3	147.0	147.0	409.4
Chapter 52								
Pilot schemes and preparatory studies	2.0	—	2.0	—	2.0	1.9	1.7	1.7
Total	620.4	—	620.4	547.4	73.0	198.7	198.5	745.9

Source: Annual report concerning the Financial Year 1981 accompanied by the replies of the institutions (OJ C 344, 31.12.1982)

AMOUNTS REQUESTED AND REFUSED 1981

by Budget item

million ECU

Budget nomenclature		Amounts requested	Amounts approved	Amounts refused				TOTAL
				non-acceptable	non-eligible	non-priority	Weighted reduction	
5000	Agriculture	17.66	5.69	-	-	0.24	11.73	11.97
5001	Textiles	35.52	15.48	-	-	3.10	16.94	20.04
5010	Young people - training	524.98	269.72	-	0.24	89.09	165.93	255.25
5011	Young people - employment	167.30	103.67	-	0.21	37.84	25.59	63.64
5020	Handicapped persons	-	-	-	-	-	-	-
5030	Migrant workers	188.94	30.55	-	-	50.92	107.48	158.39
5050	Women	105.46	22.66	-	0.37	1.01	81.41	82.79
50		1039.86	447.77	-	0.82	182.20	409.08	592.09
5100	Regions	660.50	422.36	0.30	0.75	14.34	222.75	238.14
5101	Groups of firms	19.05	8.11	-	-	6.81	4.13	10.94
5102	Technical progress	53.67	32.14	-	0.03	11.18	10.33	21.54
5110	Handicapped persons	151.12	89.77	-	-	3.39	57.95	61.34
5120	Industrial conversion	-	-	-	-	-	-	-
51		884.34	552.38	0.30	0.78	35.72	295.16	331.96
5200	Pilot schemes	4.55	3.52	-	-	0.49	-	1.04 x)
50 - 52	TOTAL	1928.76	1003.67	0.30	1.60	218.41	704.24	925.09

x) The difference of 0.54 million ECU is accounted for by the applications rejected due to lack of funds.

COMMITTEE ON BUDGETARY CONTROL

Working document

on the European Regional Development Fund in the context of the discharge for
1981

Draftsman: Mr A. GOUTHIER

1. Introduction

The activities of the European Regional Development Fund in the financial year 1981 were characterized by a high rate of implementation of the appropriations entered in the budget. Commitments totalled 1,636.8 million ECU, 95.4% of the total funds available (1,716.4 m ECU), while payments amounted to 798.7 ECU, 95.7% of the payment appropriations available (834.5 m ECU).

The financial year 1981 also saw the launching of the non-quota measures, financed from appropriations entered under Chapter 56, whose low rates of implementation (39% for commitments and 26.7% for payments), despite the transfers to Chapter 55 (quota measures) during the financial year, were a reflection of the delays and operational difficulties encountered in this sector of Community regional policy

Commitment appropriations available in 1981

(m ECU)

Chapter	1981 budget	Transfers	Appropriations remaining from 1980	Decommittals	Adjustments (variations in ECU rate)	Final appropriations	Commitments entered into in 1981	Appropriations remaining at end of 1981
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) + ... + (6)	(8)	(9) = (7) - (8)
Quota measures (Chapter 55)	1 463.0	+34.0	31.9	25.5	60.8	1 615.2	1 596.2	19.0
Non-quota measures (Chapter 56)	77.0	-34.0	58.2	—	—	101.2	40.6	60.6
Total	1 540.0	—	90.1	25.5	60.8	1 716.4	1 636.8	79.6

Source: Annual report of the Court of Auditors concerning the financial year 1981

Payment appropriations available in 1981

(m ECU)

Chapter	1981 budget			Carryovers from 1980				Total	
	Final appropriations	Payments	Carryovers to 1982	Appropriations carried over	Transfers	Final appropriations	Payments	Total appropriations available	Total payments
(1)	(2)	(3)	(4) = (2) - (3)	(5)	(6)	(7) = (5) + (6)	(8)	(9) = (2) + (7)	(10) = (3) + (8)
Quota measures (Chapter 55)	799.2	783.4	15.8	4.7	+3.3	8.0	8.0	807.2	791.4
Non-quota measures (Chapter 56)	20.0	—	20.0	10.6	-3.3	7.3	7.3	27.3	7.3
Total	819.2	783.4	35.8	15.3	—	15.3	15.3	834.5	798.7

Source: Annual report of the Court of Auditors concerning the financial year 1981

2. Evolution of ERDF appropriations

The evolution in appropriations in recent years reflects the desire on the part of the budgetary authority to expand regional policy in order to implement the Fund's objective, which is to help correct the main regional imbalances in the Community as part of the efforts to achieve greater convergence between the economies of the Member States.

The Fund endowment has increased substantially in recent financial years, as shown in table No. 3.

	(m ECU)				
	1979	1980	1981	1982*	1983*
Commitment appropriations	943	1169.6	1716.4	1610.5	2010
Payment appropriations	836	741	834.5	950	1259

* Initial budget appropriations

However, it is still open to question whether the scale and quality of Community aid are commensurate with the difficulties involved. Likewise

unresolved is the problem of assessing the impact of Community regional policy in terms of effective utilization of the funds and of coordination with the Member States' regional policy strategies.

3. Basic considerations

In its document on the social and economic situation of the regions of the Community¹ the Commission expresses the view that, at least during the period considered in that document, there was no sign of any effective redressing of the regional imbalances within the Community. These imbalances will, moreover, be seriously exacerbated by the accession of Spain and Portugal.

In the annual report for the financial year 1981² the Commission also expresses serious doubts about the successful coordination of Fund policy with the Member States' regional policies and in particular about whether the measures financed by the Fund do in fact complement national programmes.

The doubts referred to in the previous paragraph have in the past been fully shared by the European Parliament and by this committee, notably in connection with the discharge for 1980³ and the opinion on the proposal for a new Fund regulation⁴.

The opinion should in particular be consulted in connection with the more effective utilization of Fund appropriations which it is hoped will result from the procedural and substantial amendments introduced in the new regulation.

This document, however, sets out to deal with certain specific points relating to the financial year 1981, taking account in particular of Chapter 7 of the annual report of the Court of Auditors.

4. Specific comments

(a) In the draftsman's view, the main problem in 1981 was the reinforcement of the tendency, already evident for some time, to grant aid primarily to finance infrastructure projects. Although under Article 4(1)(b) of the Fund Regulation

¹COM(80) 816 final

²COM(82) 586 final, p. 33

³PE 76.761/fin./Ann.

⁴PE 76.072

this type of aid should not exceed 70% of total grants (on a three-year basis), in 1981 it accounted for 87.3% of the total.

Although the importance of an adequate infrastructure network for the economic development of less-favoured regions should not be underestimated, there is no doubt that, given the dramatic unemployment figures in many of the recipient regions, aid for the implementation of projects in industry, the craft industry and services is more effective from the point of view of immediate job creation.

The Fund Regulation requires the Member States to take all the necessary steps to facilitate the application of its provisions. Bearing in mind that five of the Member States allocated between 90% and 100% of ERDF aid received in 1981 to infrastructure projects, the Commission should request the Member States to submit a larger proportion of industrial projects, on the understanding that, if they do not do so, a Council decision will be needed in 1983 amending the percentages laid down in the regulation.

(b) Exceeding of the quotas fixed for certain Member States

	Belgium	Denmark	FR of Germany	Greece	France	Ireland	Italy	Luxembourg	Netherlands	United Kingdom	Total
Appropriations remaining: — Mio ECU	24.7	0.5	16.4	-58.1	80.4	-14.4	-61.6	0.1	4.8	26.2	19.0
— as % of the country's allocation for 1981	152 %	3 %	24 %	-31 %	40 %	-17 %	-12 %	6 %	27 %	8 %	1 %

Source: Annual Report of the Court of Auditors concerning the financial year 1981

The Court of Auditors criticizes the fact that in 1981 the commitment appropriation quotas of certain Member States were exceeded, on the basis of the provisions laid down in Regulation No. 3225/80.

In its reply to these comments, the Commission refers to the opinion of the Committee on Budgets¹ on the proposal for a new ERDF Regulation, which states that the quotas fixed in the regulation are purely indicative.

¹ PE 76.871

The draftsman would reiterate this point, while noting the Commission's undertaking to carry out a clearing operation in 1982.

(c) Procedure governing commitments

The Court of Auditors strongly criticizes the procedure adopted by the Commission in respect of certain aid decisions, whereby it entered in the accounts only part of the total commitments required, subject to entry in future budgets of the amount outstanding.

This criticism is fully justified. Differentiated appropriations were introduced precisely to take account of the financial consequences for subsequent financial years of each decision as soon as it is taken. If these projects are financed by means of successive tranches of commitments, this in effect prejudices the decisions to be taken by the budgetary authority in the financial years in question. This practice runs counter to the provisions of the existing Financial Regulation and should therefore be abandoned.

The Commission's comment that this would block a substantial volume of commitments would seem to be irrelevant.

(d) Consistency between assisted projects and the regional development programmes or other Community objectives

The Court of Auditors makes a number of interesting comments¹ on certain of the assisted projects, comparing them with the objectives of the regional development programmes and with the Community's objectives in other policy areas.

As a result the Court expresses serious doubts about the value of these programmes (the 'first generation' of programmes), pointing out that, although they are extremely vague, in several cases they were not even heeded when a decision was taken.

However, as pointed out by the Commission, the financial year 1981 is covered by the 'second generation' programmes which, moreover, at the time of the Court's examination had not yet been published by the Commission.

Similarly, in a number of cases the Commission, acting in accordance with Articles 92 and 93 of the EEC Treaty (aids granted by the Member States), decided that certain investments which had already received Fund aid were

¹ Annual report of the Court of Auditors concerning the financial year 1981, points 7.17 - 7.25

inopportune. In its replies, however, the Commission¹ merely stands by its decisions without giving any further details.

(e) Rate of implementation of the projects and accelerated payments procedure

The major delays in the implementation of the projects, which is reflected in the substantial volume of commitments outstanding (2,281 m ECU at the end of 1981), led to the adoption in Regulation No. 214/79 of a procedure for making accelerated payments to the Member States.

However, the comments made by the Court of Auditors reveal that this procedure has had no significant impact on the rate of implementation of the projects: in the two sample groups examined by the Court the percentage of projects completed on schedule fell from 42% (projects begun in 1977) to 14% (projects begun in 1979)².

It is therefore even more essential to increase the number of checks on implementation. In connection with the discharge for the financial year 1980³ this committee stressed that 'action should be taken as early as possible as a delay in completion of projects may considerably reduce their viability', and called for tighter control by the Commission so that, under Article 9 of the Regulation, Fund aid may be reclaimed where serious irregularities are discovered.

The Commission's intention⁴ of systematically reviewing projects financed in the years 1975-1977 which are still unfinished, is therefore to be welcomed.

(f) Exchange of information with the Member States and controls

The difficulties encountered by the Commission in monitoring the implementation of the projects highlights what is perhaps the most unsatisfactory aspect of the Fund management during the period under consideration. The Commission's report⁵ does not indicate any sign of improvement in cooperation

¹ Commission's replies to the comments by the Court of Auditors: OJ No. C 344, 31.12.1982, p. 195

² Annual report of the Court of Auditors concerning the financial year 1981, points 7.33-7.39

³ Doc. 1-100/82/Annex, p. 63

⁴ Seventh Annual Report of the ERDF, p. 80

⁵ Seventh Annual Report of the ERDF, points 19 and 167-169

with the Member States with regard to the exchange of information (provided for in Articles 16 and 19 of the Regulation) not only on the implementation of the projects but also on their actual impact on the economic and social situation of the various regions. The figures are often submitted late and are not sufficiently comprehensive for this kind of assessment.

In this connection the proposal for a new Fund regulation lays down more specific provisions which, if applied in full, should bring about some improvement in the situation.

5. It is therefore proposed that the following points be included in the European Parliament decision on the discharge to be granted to the Commission in respect of the implementation of the budget of the European Communities for the financial year 1981:

- notes the satisfactory rate of utilization of the appropriations allocated to the ERDF, but draws attention to the delay in launching the non-quota measures;
- notes that a growing proportion of the assisted projects relate to infrastructures and therefore requests the Commission and the Member States to rectify this situation so as to give greater support to activities with a more direct impact on job creation;
- requests the Commission in future to comply more closely with the existing provisions governing the procedures for the commitment of appropriations;
- stresses that the Commission must receive from the Member States sufficiently comprehensive information, submitted in good time, to enable it to assess the impact of the assisted projects on the economic situation in the regions;
- requests the Commission to examine more closely the consistency of the assisted projects with the regional development programmes and with the objectives of the other Community policies;
- reaffirms that, to maximize the effectiveness of the invested funds, it is essential for the assisted projects to be completed by the scheduled date, and strongly supports the Commission's intention of systematically inspecting projects begun in the years 1975, 1976 and 1977 which have not yet been completed, with a view, where appropriate, to taking the steps provided for in the existing regulation.

COMMITTEE ON BUDGETARY CONTROL

Working Document

on the
implementation of the 1981 general budget of the
European Communities for milk products

Draftsman: Mr B. KEY

INTRODUCTION

1. If the Community budget is characterized by a bias towards agricultural spending, that spending itself is biased towards milk products. Of the Community budget, as adopted, for 1981, one-third of all expenditure on agricultural guarantees was on milk products, and the appropriations set aside for milk amounted to 22% of the whole Community budget. Examination of the record of expenditure in this sector is therefore of prime importance.

2. The normal criteria for public accounting encompass the need to keep waste to a minimum and to encourage efficiency, as well as to rectify faulty procedures and tackle fraud. It is also normal to ensure that actual expenditure reflected the policy intentions embodied in the budget. For the common agricultural policy, however, the appropriations entered in the budget can only reflect estimates of expenditure, which in practice will depend on the vagaries of the weather, world market prices and other external factors. Despite that - perhaps overstated - proviso, it is instructive to look at the evolution of appropriations for this sector.

PATTERN OF EXPENDITURE

3. The table below sets out the development of expenditure over recent years, culminating in a substantial fall for expenditure in 1981.

	1977	1978	1979	1980	1981
MILK AND MILK PRODUCTS	2.924,1	4.014,6	4.527,5	4.752,0	3.342,7
Refunds	1.417,4	1.565,0	2.087,9	2.745,9	1.886,3
Intervention of which:	1.506,7	2.449,6	2.439,6	2.006,1	1.456,4
-aid for skimmed milk	853,1	1.131,7	1.310,2	1.281,6	1.157,4
-storage of skimmed milk	310,0	682,1	361,1	20,6	83,4
-storage of butter	274,3	506,1	475,6	439,5	214,7
-disposal of butter	81,5	112,8	154,9	207,6	211,8
-financial participation by milk producers	- 24,1	- 156,1	- 94,2	- 222,9	- 478,5

Export refunds accounted for around 56% of expenditure in 1981, and the bulk of other intervention was for aid for skimmed milk.

4. The substantial drop in 1981 expenditure was due to the rapid rise in the value of the dollar during the year relative to the ECU. This allowed the level of refunds for butter, for example, to be reduced from 125 to 105 ECU/100 kg. This situation meant that aids for disposal on the internal market could also be kept to moderate levels. The opportunity was taken to reduce butter stocks drastically (from 147,000 tonnes to 14,000 tonnes), although those for skimmed milk powder rose a little (from 231,000 tonnes to 298,000 tonnes).

5. As was mentioned above, the agricultural budget in general has to reflect estimates rather than spending intentions - although this may be less true for milk than for other sectors. In the course of the year, therefore, the pattern of expenditure can change. The record of changes in the milk sector is as follows:

	<u>Transfers</u>	<u>Transfers as % of initial approps.</u>	<u>ECU vs \$ % change relative to previous year</u>
1975	- 16.3	- 1.4	-
1976	+ 132	6.6	-
1977	+ 52	2.1	-
1978	+ 478	16.4	12
1979	+ 919	25.0	8
1980	+ 43	0.9	1
1981	- 992	- 20.9	- 20

6. It is striking how closely the change in the funding necessary for milk products reflects the dollar-ECU exchange rate, especially for 1980 and 1981. A similar pattern held for guarantee spending as a whole (up by 13% from 1979 budget to 1979 out-turn, about level in 1980, and with a 10% decline between 1981 budget and out-turn). The milk products sector is more oriented to world trade than other sectors of agricultural production and has therefore responded more sensitively to movements in exchange rates.

CONCLUSION ON PATTERN OF EXPENDITURE - the draftsman agrees broadly with the analysis of the Court of Auditors ¹. The substantial decline in 1981 in expenditure on milk products (1,409 mECU less than 1980) reflects several economic factors including the rapid rise in the dollar, but also administrative improvements resulting from Parliamentary pressure.

¹ OJ C 344, 1982, para. 4/6

EFFICIENCY OF EXPENDITURE

7. All modern states intervene to support agricultural production in some way or other, and the Community is not unusual in that. Agricultural production may be at the mercy of external factors, yet it is necessary to ensure an adequate supply of food for the population at large. The need for a Community agricultural policy is thus not in question; equally, the need to be constructively critical of the workings of the present policy should not be in question, and it is legitimate to reconsider some traditional views. In particular, is it still true - especially in the milk sector - that expenditure is determined by external factors, and that the only role of policy is to moderate the impact of these factors on producers so as to stabilise supply and prices?

8. That the Community has an over-abundant supply of milk products is well-known. Even in the late 1970s it produced all the fresh milk and cheese it needed, 10-15% more skimmed milk powder and butter than it could use, about 60% more concentrated milk, and more than three times as much whole milk powder. Markets are available abroad for concentrated milk, whole milk powder and cheese.

Consumption in the EC is, furthermore, stagnant. Consumption of butter has hardly changed in five years (lying within the range 1,590 - 1,666 thousand tons p.a.). Similarly total consumption of skimmed milk powder is static (1,546 in 1980, 1,560 in 1981, 1,590 in 1982, all in thousand tons p.a.) having declined in the late 1970s.

9. Meanwhile, both production and productivity have continued to rise, as shown in the table below (covering the EC as a whole).

	<u>Deliveries increase - % over previous year</u>	<u>Yield increase % over previous year</u>
1974	0.9	- 2.2
1975	1.2	1.9
1976	2.8	3.7
1977	3.4	1.9
1978	4.7	4.3
1979	2.6	0.7
1980	2.5	1.5
1981	0.5	1.8
1982	3.1	2.3

Although the overall picture shows a stable number of dairy cows, this masks the changes that are taking place: whilst there is a fully-modernised sector producing about one-third of output, the developing sector and the traditional sector each produce a further third. The smaller farms cannot generate sufficient income by switching to cereals or beef, yet acceptable working conditions necessitate modern farm buildings: the borrowed money requires increased production via higher stocking rates etc. The modernised sector is similarly anxious to earn an adequate return on the investment it has already made.

11. The net result is a constant pressure to increase production: smaller farmers modernising, whilst those who have to fund investments already made can and will increase production to meet their cash needs, and there is plenty of scope for this trend to continue. Technical advances and financial needs have individual farmers on an accelerating treadmill, while the global result is ever-increasing surplus production. Community expenditure via the budget is thus less support for farmers in the face of exogenous influences than the funding of a particular pattern of production which all agree is not sustainable in the long run.

12. The excess production is disposed of on the world market, and in 1981 over one-half of the appropriations for milk products (56% or 1,886 mECU) were for export refunds. The significance of the Community as an exporter of milk products to the world market is indicated by the following:

1980: EC share of world trade (exports)

butter/butteroil	63%
cheese	47
skimmed-milk powder	54
whole milk powder	66
condensed milk	69

13. The European Community and New Zealand together supply nearly two-thirds of the world market total and both producers have collaborated closely within the framework of the International Dairy Products Council, established under the 1980 GATT arrangement, to raise the world market prices for dairy products. In this way the Community has succeeded in reducing export subsidies, while New Zealand has been able to increase its own prices. In the short term this policy can obviously have a

favourable effect on the budget and on the Community's share of the world market. What is less clear, however, is whether in the longer term a policy of high world market prices in fact encourages other countries to export or whether it leads to lower consumption. Moreover our trading partners might well react harshly if the Community appeared to be cornering an excessive share of the world market.

14. The weight of the Community in world markets, and the way trade is managed, inevitably imply that the budget is funding particular policy decisions.

15. Although the bulk of expenditure is on export refunds, there are a number of other measures (apart from storage) designed either to stimulate or subsidise consumption. The Commission has very considerable flexibility in emphasising one or other of these routes to the disposal of unwanted production. Although the budget authority may concur with some of the choices made, it - and especially Parliament - often has no means of influencing the decision yet has to take the responsibility for providing the funds. One well-known example was the manipulation of export refund rates at the end of 1979: by announcing the advent of a new, more-favourable rate for the start of 1980, the Commission was able to shift expenditure to the latter year. The economic objectives, if any, of such choices are often quite unclear.

16. There are also a number of measures of debatable economic value, and which Parliament has little chance to influence. For example, some of the revenue from the coresponsibility levy is used in the dairy sector; its allocation is discussed in the coresponsibility group and decided by Council; Parliament's powers of changing these appropriations are very limited as the expenditure is classified as obligatory.

17. Certainly the Court of Auditors considered that to be the case for the disposal of excess butter (special report on reduced-price butter, OJ C 143, 1982): the other subsidised-consumption measures were much more expensive to the budget. Of course a choice can be made to do so, but that choice is explicitly political and one for the budgetary authority.

CONCLUSIONS ON EFFICIENCY OF EXPENDITURE - it is considered that:

- (a) the concept of expenditure being to support farmers in the face of unforeseeable external circumstances remains relevant for smaller producers, where social and regional considerations are important, but that this concept needs to be reviewed for other modes of production in the light of:
- production being influenced by technical and financial developments which result in constant pressure to increase production, as well as by traditional factors such as climate, and
 - the nature of world trade, in which the Community has hitherto played a predominant role both in terms of volume and of management, although this may change as other major producers attempt to dispose of surplus production.
- (b) the budgetary authority and especially Parliament must be more involved in the policy decisions inherent in the new environment, because it is responsible for providing the funding.

MANAGEMENT

18. Parliament in general and the Budgetary Control Committee in particular are concerned to ensure that frauds and irregularities are actively pursued. It is a matter of some concern that the incidence of irregularity appears once again to be on the increase: the number of cases notified, having peaked at 223 in 1976 and then fallen to 105 in 1978, rose to 239 in 1980 and 242 in 1981.

Irregularities notified and recoveries effected

Year	Cases notified		Recoveries	
	Number	Amounts (Mio ECU)	Number	Amounts (Mio ECU)
1971	8	11.986	7	11.855
1972	20	2.296	16	1.055
1973	49	1.281	43	0.677
1974	87	4.288	70	0.958
1975	128	2.886	104	1.341
1976	223	5.834	145	2.728
1977	147	9.254	84	2.521
1978	105	3.016	65	1.175
1979	112	2.163	81	1.443
1980	239	20.729	120	1.879
1981	242	16.112	73	1.588
Total	1 360	79.844	808	27.220

Source: Eleventh EAGGF financial report 1981. Document COM(82) 439 final.

Of course the number of cases reported reflects the efficiency of detection rather than necessarily the rate of fraud actually occurring. The Court of Auditors noted in its report on the 1981 financial year that the implementation of Council Directive 77/435 on scrutiny by Member States had been slow (OJ C 344, 1982, p. 43), and the rise in numbers may reflect this becoming operational.

19. Irregularities in the milk sector accounted for over half the total amount reported (53.3% of 16.112 mECU). Of the total number of cases declared (242), 140 concerned specifically intervention for milk products - particularly the premiums for non-marketing of milk and for the conversion of cattle; a further 25 cases concern abuse of refunds on milk products.

20. Only around one-fifth of irregularly-paid amounts are recovered, even of the cases notified, which can only be the tip of the iceberg. Given the high incidence of fraud and irregularity in two sectors - milk and cereals account for over 90% of sums unduly paid - it would be logical for attention to concentrate on these sectors. Lord Bruce, in his report on the discharge for the 1977 financial year (Doc. 1463/79/Annex, para. 207) said:

"the intensification of effort in this field (fraud and irregularities) is, of course, a matter for the Court (of Auditors) itself, in the first instance. Nevertheless, the rapporteur would venture to suggest that most of the reapers should be directed to those fertile fields where stalks most abound. There the big results could be expected. In the sphere of Community expenditure, that area is the common agricultural policy".

Conclusion: it is considered that the Commission and Court of Auditors must not only step up their efforts to combat fraud, but they must concentrate those efforts on one or two problem sectors and where there is some chance of recovering the sums unduly paid. The Court of Auditors should therefore re-examine its approach and not allow structural rigidity to impede its pursuit of fraud and irregularity.

21. Parliament has long disliked the milk coresponsibility levy. It has acted as a flat-rate tax, passed straight on to the consumer, and has had no effect in curbing surpluses. The treatment of the revenue as 'negative expenditure', and the earmarking of some of the funds for expenditure on milk, are undesirable from a budgetary point of view. The levy produced 1,310 mECU between September 1977 when it was introduced and the end of the 1981/82 milk year. Of this amount 696 mECU (that is 53%) was spent as follows (note the increased rate of spending, with expenditure of 361 mECU foreseen, from estimated receipts of 387 mECU):

	<u>1977-82 - breakdown of expenditure.</u>	<u>1983/84 year</u>
Promotion	23%	45 mECU
School milk	34	90
Butterfat for ice-cream	24	40
Improving quality	9	25
Other	10	<u>161</u> (inc. 35 reserve)
		361

22. These measures are spread over a number of budget lines, some of which are only partially funded from the levy. Nevertheless, an idea of the record of utilisation of the proceeds of the levy can be obtained by considering items 6241 (school milk), 6242 (market development measures), 6243 (improvement of milk quality), and 6244 (other measures to expand markets).

The 1980 budget contained 181 mECU for these lines, of which 103 mECU was spent (60%), 54 mECU was transferred to other lines (27%), and 24 mECU was cancelled (13%). The situation in 1981 was very similar: the budget contained 183 mECU, 106 mECU was spent (60%), and 77 mECU was transferred to other lines.

23. These lines are more like other sectors in the non-agricultural budget, in being intentions to spend rather than mere estimates. In that context, utilisation rates of 60%, with substantial cancellations of funds, are not acceptable. Measures for spending the coresponsibility levy are discussed in the coresponsibility group, in which producer groups (but not the budgetary authority) have a say. Parliament can only influence the choice of measures by tabling modifications during the budgetary procedure. Such modifications are virtually never adopted by Council. It is difficult to avoid the impression that measures are chosen with no regard to their efficiency in disposing of surplus production, and that, when chosen, these measures are poorly administered. In some ways, measures funded by the coresponsibility levy are ill-suited to the general pattern of guarantee section expenditure, and the Court of Auditors pointed out the disadvantages of allocating revenue in the absence of special rules in its report on the 1981 financial year (OJ C 344, 1982, p. 38).

Conclusion: it is considered that the system of the coresponsibility levy needs to be improved if it is to meet its objectives; ¹ that of the revenue now used on specific measures, some is allocated to measures of doubtful efficiency in disposing of surpluses, and is poorly managed in any case; and that Parliament must have more influence over the allocation of funds.

24. The Court of Auditors raised once again in its report on the 1981 financial year (p.35) the manipulation by the Commission of the value of stocks, under Council Regulation 1883/78. This allows the Commission to anticipate losses in the value of stocks and in effect shift expenditure from one year to another, thus evading the basic rule of annuality of the budget. The particular examples considered by the Court of Auditors concerned charging to 1981 marketing measures to the extent of 86.5 mECU which did not become effective until 1982, and secondly certain sales at nil price to Poland.

25. The Commission's repeated use of this instrument shows how useful it finds it, and the conditions at the end of 1982 were such as to encourage its use again: rising stocks, the likelihood of a fall in prices, and a 1982 budget undershooting by a very significant amount in the agricultural sector. An anticipated devaluation of stocks neatly reduces the pressure on the 1983 budget and uses some of the surplus funds of the 1982 budget. Certainly the last three months of 1982 saw a rapid acceleration in advances to Member States, although it is true that this would also have reflected the good harvests.

On the other hand, carrying stocks at higher valuations costs more in interest charges etc. There is thus a balance to be drawn between budget clarity and financial outlay.

¹ See for example, Parliament's resolution of 17.6.81 on possible improvements to the CAP (OJ C 172, 1981)

"17. Considers that the use of the basic linear coresponsibility levy has failed to control overproduction above market requirements, has acted as an incentive to expand output and has increased the burden on the tax-payer: believes that coresponsibility should only be applied by means of a progressively reduced guaranteed price for each tranche of output beyond the relevant quantum."

Conclusion: It is considered that the agricultural budget can only be understood, and responsibility properly attributed, if the principle of annuality is maintained. The Commission's freedom of action to anticipate the devaluation of stock may save some appropriations but offends this principle.

26. The problem of surplus production is not going to be solved overnight. In the meantime, there will be two main products requiring disposal: butter and skimmed milk powder.

Stocks of dairy products in the EEC (on 27/1/83)
(in tonnes)

	<u>Butter</u>		<u>Skimmed milk powder</u>
	Public	Private	
Belgium	2,918	3,693	4,806
Denmark	3,510	2,659	9,837
Germany	67,843	34,316	358,655
Greece	0	0	0
France	39,124	28,768	38,475
Ireland	12,838	7,154	65,274
Italy	150	251	0
Luxembourg	0	500	0
Netherlands	25,250	64,683	2,370
United Kingdom	11,546	20,000	105,113
Total EEC	163,185	162,024	584,530

27. Skimmed milk is essentially a by-product, and will always be in excess supply. It is bulky, expensive to transport, and uses energy in being dried to powder, which is often then returned to farms to be used as feed. Parliament has called for measures (for example, in its resolution on the fixing of agricultural prices for 1982/83) to use natural milk to feed calves, which would break this vicious circle and result in substantial savings for the Community budget.

28. The unit cost of disposal is around 50% of the intervention price when used as calf-feed, around 60% when exported, and around 80% when used as pig and poultry feed (figures for 1979). The relatively satisfactory state of stocks during 1981 meant that only the first two methods of disposal were pursued. The Court of Auditors considered in its 1979 report (OJ C 342, 1980, p. 72 et seq.) that the Commission pursued for too long a policy of stock reduction via measures to promote the feeding of powder to pigs and poultry. Although stocks would have been some 200,000 tonnes higher, storage costs are not exorbitant, and these feed measures are particularly expensive. The Court estimates that 85 mECU could have been saved.

29. It is a matter of some concern that the Commission has reintroduced late in 1982 measures to promote the feeding of powder to pigs and poultry. Stocks are certainly rising (around 550,000 tonnes at the end of 1982, although they have been well over 1,000,000 tonnes in the past). The desire to reduce stocks should not take precedence over financial efficiency.

30. The Court of Auditors has reported on the sales of reduced-price butter (OJ C 143, 1982), and attempted to assess the economic costs of the various measures for disposal. Although care has to be taken in interpreting the results, the study appeared to suggest that (for 1979 and 1980)

- export was by far the most cost-effective measure,
- where intervention was still necessary, it was relatively effective to use disposal measures aimed at specific markets or organizations,
- measures to aid direct consumption were least effective, and amount to aid to the consumer rather than disposal measures.

31. As the Court makes abundantly clear in its conclusions, the objective of reducing prices to the consumer is a reasonable one, but it is a political one which should be made explicitly by the budgetary authority and backed up by relevant legislation if necessary. It is perfectly proper for the budgetary authority to compromise strict financial efficiency (which would imply disposing of all butter surpluses via export restitutions) in order to pursue social objectives (such as cheap butter for particular consumers). The trouble is that Parliament has next to no influence on such a question, despite being part of that budgetary authority: any initiative for explicit legislation has to come from the Commission, and Council very rarely indeed adopts the modifications

Parliament proposes to the obligatory part of the budget, no matter how well founded they might be.

Conclusion: it is considered that financial and political objectives should be kept quite distinct; the balance between the two has to be made by the budgetary authority and not the Commission; Parliament is hindered in playing its part in making those choices.

32. The draftsman asks the rapporteur for the 1981 discharge to take account of the conclusions appearing after paragraphs 6, 17, 20, 23, 25 and 31 in the draft motion for a resolution.

COMMITTEE ON BUDGETARY CONTROL

Working document
on the EAGGF - Guidance Section - 1981 discharge

Draftsman: Mr R. E. FILIPPI

I - INTRODUCTION

The EAGGF, Guidance Section, set up under Regulation¹ No. 17/64 of 5.2.1964, has often been given high priority by the European Parliament as a means of rectifying structural and territorial imbalances: the resolution adopted by the European Parliament on 13.3.1980 on policy with regard to agricultural structures² for instance points out that the reduction in structural and regional imbalances 'is an essential prerequisite for the strengthening of the Community's internal cohesion', and therefore calls for the common structural policy to 'be given greater financial resources and applied more flexibly at regional level'.

II - GROWTH OF APPROPRIATIONS

(a) Commitments

As Table 1 shows, commitment appropriations increased somewhat in 1981 and eventually stabilized at the level shown. It should be noted that, out of the total authorized under Regulation No. 929/79 for the period 1980-1984, 790.2 million ECU will remain available for 1984 (see Table 1, page 3). It is however difficult to foresee the introduction of any new measures in this area.

(b) Payments

As regards payment appropriations too there has been a certain increase over the amounts entered in the budget during the period in question although the trend has become somewhat more stable recently³ (see Table 2, page 4).

The tables show clearly that one of the objectives set by the European Parliament in the above resolution, greater regionalization of contributions, has been largely attained even though the quantitative difficulties encountered in applying the socio-structural directives seem to be corroborated.

¹ OJ No. 34, 27.2.1964, p.586

² OJ No. C 85, 8.4.1980, p.57

³ In 1981 payments to the amount of 85.6 million ECU were also effected from non-differentiated appropriations prior to 1977.

EVOLUTION OF COMMITMENT APPROPRIATIONS

(in million ECU)

Year	Heading	Appropriations		Utiliza- tion	Appropriations	
		Final	Utilized	%	Remaining	Cancelled
1980	- Improvement of agricultural structures	193	172	85	18	3
	- Socio-structural measures	95.2	92.5	96	2.6	0.1
	- Measures to assist less-favoured regions	184.3	181.3	98	2.8	0.1
	- Measures relating to the common organizations of the market	138.3	133.0	96	3.3	2
	- Fisheries and other	35.2	15.3	44	19.8	-
	TOTAL	646	594.1	92	46.5	5.2
1981	- Improvement of agricultural structures	218	198	90	16	3
	- Socio-structural measures	120.8	116	96	4.8	-
	- Measures to assist less-favoured regions	251.2	232.2	92	18.8	0.1
	- Measures relating to the common organizations of the market	179.2	129	71	43.7	6.5
	- Fisheries and other	45.3	19.4	42	25	0.9
	TOTAL	814.5	694.6	85.2	108.3	10.5
1982*	- Improvement of agricultural structures	148				
	- Socio-structural measures	113.6				
	- Measures to assist less-favoured regions	357.2				
	- Measures relating to the common organizations of the market	146.7				
	- Fisheries and other	25.2				
	TOTAL	790.7				
1983*	- Improvement of agricultural structures	164				
	- Socio-structural measures	133.7				
	- Measures to assist less-favoured regions	381.6				
	- Measures relating to the common organizations of the market	96.6				
	- Fisheries and other	27.2				
	TOTAL	803.1				

* Initial budget

EVOLUTION OF PAYMENT APPROPRIATIONS

(in million ECU)

Year	Heading	Appropriations		Utiliza- tion	Appropriations	
		Final	Utilized	%	Remaining	Cancelled
1980	- Improvement of agricultural structures	119.1	86.5	73	18.9	13.7
	- Socio-structural measures	97	92.5	95	4.4	0.1
	- Measures to assist less-favoured regions	166.8	159.1	95	5.9	1.8
	- Measures relating to the common organizations of the market	137.8	133	97	2.6	2.1
	- Fisheries and other	12.1	8.1	67	4	-
	TOTAL	532.8	479.2	90%	35.8	17.7
1981	- Improvement of agricultural structures	107	93	87	14	-
	- Socio-structural measures	122.5	115.9	94	6.6	-
	- Measures to assist less-favoured regions	177.2	142	80	35.2	-
	- Measures relating to the common organizations of the market	165	129	78	30.6	5.4
	- Fisheries and other	14.0	9.9	71	4.0	-
	TOTAL	585.7	489.8	84%	90.4	5.4
1982*	- Improvement of agricultural structures	176.8				
	- Socio-structural measures	113.6				
	- Measures to assist less-favoured regions	317.0				
	- Measures relating to the common organizations of the market	151.7				
	- Fisheries and other	21.7				
	TOTAL	780.8				
1983*	- Improvement of agricultural structures	84.5				
	- Socio-structural measures	131.9				
	- Measures to assist less-favoured regions	316				
	- Measures relating to the common organizations of the market	80.2				
	- Fisheries and other	23.2				
	TOTAL	635.8				

* Initial budget

III - 1981 FINANCIAL YEAR

The percentage implementation in the 1981 financial year was lower than for previous financial years both as regards commitments (85.2% compared with 92% in 1980) and payments (84% compared with 90% in 1980).

The Commission gives two main reasons¹ for this: (a) a number of operations on which decisions were taken recently were slow in getting under way, and (b) the system of paying advances was used less in 1981 than in 1980 because the results were disappointing in some cases and Member States made less use of this facility.

The first argument seems valid, particularly for measures under Chapter 82 (measures to assist less-favoured areas), for which the rate of implementation was particularly low (an average of 80.1% for PA). Various legal bases were in fact adopted by the Council only on 31 June 1980, together with the 'package' of integrated regional measures.

This argument does not however apply to Chapter 83 (measures relating to the common organizations of the market), the only chapter to have payment appropriations cancelled and in which there seem to have been considerable difficulties in implementing projects for several years.

IV - PAYMENT OF ADVANCES

In its resolution on the 10th Financial Report on the EAGGF, Guidance Section², the European Parliament emphasized the need to strengthen Commission controls to cope with the increasing use of financing by means of advance payments. This remark seems particularly justified considering the number of advance payments that had to be refunded, by means of a Commission decision, because these amounts were underutilized. Although payments were speeded up in 1980 as a result of the new advance payments procedure for measures to assist the Mediterranean regions, this lasted for only a short period and could not be continued in 1981.

¹ Analysis of financial management (OOM (82) 270, p. 136)

² OJ No. C 125, 17.5.1982

The Commission's efforts to define and apply more rigorous principles to the new requests for advance payments, and to organize information courses on this subject are however to be welcomed.

V - PARTICULAR PROBLEMS

(a) Directive 72/159

This directive, on the modernization of farms, is one of the series of socio-structural directives adopted in 1972, at a time when the economic trend was favourable: these measures were designed to align agricultural earnings progressively with non-agricultural earnings in a particular area by increasing production at a time when there was a manpower drift from the sector.

In 1980, the European Parliament had an opportunity to deplore² the 'limited results' obtained in this way; it should however be borne in mind that the most important measure, i.e. Directive 72/159, seems to have been more effective from a quantitative point of view since it led to the reimbursement of 110.4 million ECU in 1981 (86.5 million ECU in 1980). If however we break down repayments by Member States we can see that the underlying imbalance noted by the European Parliament in its resolution on the 10th Financial Report on the EAGGF, Guidance Section³ still exists: i.e. the concentration of financial resources on Member States that already have the most productive agricultural structures.

Directive 72/159

(million ECU)

	EAGGF reimbursements 1981	%
Belgium	3.7	3.4
Denmark	7	6.4
Germany	27.7	25.1
France	-	
Ireland	12.5	11.3
Italy	2	1.8
Luxembourg	0.1	-
Netherlands	9.9	9.0
United Kingdom	47.5	43.0
TOTAL	110.4	100

¹ 11th Report on the EAGGF, Guidance Section, page 6
² Resolution of 13.3.1980, OJ No. C 85, 8.4.1980
³ OJ No. C 125, 17.5.1982

At this point, it is worth inserting some of the comments made in the 1981 report by the Court of Auditors¹: the Member States differ widely in their interpretation of some of the basic criteria of the directive such as earned income per man work unit, calculation of the size of the investment, and the prohibition or limitation of aid from the Member States.

The European Parliament's comment in its resolution of 20.4.1982 to the effect that there is a need for a more frequent review of the measures, particularly as regards the projects to be reimbursed. When Directive 72/159 was extended on 31 December 1983, the Committee on Budgets delivered a largely unfavourable opinion on 24.3.1983² on the Commission's proposal pointing out that the amendments proposed by the Commission for adapting and completing Community provisions on agricultural structures should have been proposed long before.

(b) Problems of budget estimates and of implementing some measures

As pointed out in the introduction, in 1981 some measures were inadequately implemented and appropriations were cancelled or even transferred without proper justification. This applies for instance to item 8312, (premiums for the non-marketing of milk); 16 million ECU were transferred to this item during the financial year and 18.9 million ECU in payment appropriations were carried forward at the end of the year; it also applies to item 8323 (collective projects for the restructuring of vineyards): because of 'shortage of time and staff'³ 3.4 million ECU in PA and 4.5 million ECU in CA were cancelled; it also applies to the improvement of public services in certain less-favoured areas (Article 802) where 'work is progressing at a slower rate than originally planned' and as a result the rate of utilization of payment appropriations is only 50.3% and 6 million ECU have been carried forward.

It should also be noted that, compared with previous financial years, there has been a considerable reduction in the erratic budget transfers mentioned by the European Parliament in its resolutions on the financial management of the Fund.

1 OJ No. C 344, 31.12.1982, p. 44 et seq.
2 PE 77.999/fin.
3 COM(82) 270, page 140

(c) Flow of information

A particular problem arises in the EAGGF, Guidance Section, and in other areas of Community activity as a result of the inadequate flow of information between Member States and the Commission, particularly as regards communication of the provisions the Member States adopt by law, regulation or administrative action to satisfy themselves that the transactions financed are executed correctly¹.

The Commission itself admits² that there is some delay on the part of the Member States in fulfilling some of their information obligations, and agrees with the Court that the concept of 'irregularity' in implementing measures is not adequately defined and often gives rise to different interpretations.

Apart from recommending that the Commission should be more precise in defining the legal basis of individual measures, it should be noted that only an information campaign directed towards the administrations of the Member States can lead to a definition of the concept of irregularity that will permit optimum implementation of the measures and the introduction of effective controls.

(d) Control of implementation

It is gratifying to note that the European Parliament's request³ that information courses be organized for local administrators has been largely met by the Commission⁴. This has only been done however at the cost of a considerable reduction in on-the-spot controls of direct actions. In fact 36 on-the-spot controls (25 for direct actions and 11 for indirect actions) were carried out by the Commission⁵ in 1980 but only 18 (7 for direct actions and 11 for indirect actions) in 1981.

1 Court of Auditors, 1981 Annual Report, p. 47

2 Commission's replies to the comments of the Court of Auditors, paragraph 5.8

3 Resolution of 20.4.1982

4 11th Financial Report, EAGGF, Guidance Section, p. 15

5 Ibid.

On the other hand, the Commission has organized 14 information courses on direct actions in the Member States. It is certainly to be hoped that in view of the increase in EAGGF, Guidance Section staff (European Parliament amendment to the 1983 draft budget - establishment plan), the level of control attained in 1980 can again be achieved in the future.

(e) Measures for the reorganization of fruit production

With regard to the new measures for the reorganization of fruit production the Court of Auditors remarks in points 5.21 and 5.22 of its report that there did not seem to be adequate provisions to ensure compliance with the undertaking not to replant trees which had been grubbed up, in particular where the land was sold, leased or otherwise transferred.

In this connection the Commission has stated that controls of this kind have been carried out by five Member States, involving 4,945 cases, although two Member States have not yet submitted their reports.

V - CONCLUSIONS

It is proposed that the following points be included in the discharge decision for the 1981 financial year:

- (a) notes with satisfaction that during the financial year in question, some practical action has been taken on the European Parliament's request for an increase in the funds committed in the EAGGF, Guidance Section and for more effective implementation at regional level;
- (b) points out however that although there has been an increase in absolute terms in both commitment and payment appropriations compared with the preceding financial year, the percentage implementation of appropriations has fallen considerably;
- (c) agrees with the Commission that there is a need to define and apply more rigorous principles when granting advance payments, in view of the unsatisfactory outcome in 1981;
- (d) draws attention to the need for more frequent review of the provisions in force, particularly as regards indirect actions, in order to give them the flexibility needed to meet the objective of the Fund, i.e. to reduce structural and regional imbalances;

- (e) notes that in some cases expenditure is still inaccurately estimated and transfers made without proper justification, although to a lesser extent than in the past, and invites the Commission to take the greatest care at this stage of management;
- (f) stresses the need for a better flow of information between the Commission and the Member States particularly with a view to arriving at uniform criteria for defining 'irregularities' in the implementation of the measures;
- (g) welcomes the Commission's efforts to organize information courses for administrators in the Member States but points out that this should not prejudice the maintenance of an adequate level of on-the-spot controls of implementation of the measures.

COMMITTEE ON BUDGETARY CONTROL

Discharge 1981

Working document

on

decentralised agencies, autonomous organisations
and satellite bodies of the EC and other subsidies.

Draftsman : Mr. E. KELLETT-BOWMAN

Introduction

1. At the outset, it would be helpful to recall the public accounting criteria that this Committee applies when considering the accounts of the EC satellites and decentralised bodies.

These are:-

- verifying that expenditure has been incurred as was intended by the budgetary authority when the budget was being adopted;
- checking up on extravagance, waste or inefficiency in the use of Community funds;
- identifying faulty procedures or breaches of good accounting methods, and suggesting ways in which they could be corrected; and
- endeavouring to ensure that sound management is applied generally to the handling of the resources made available to these satellites.

Progress

2. These various satellites have been closely checked by this Committee over the past three years and several special reports have been put before the House¹. As a result of the ensuing political pressure, many shortcomings that had been noted in the procedures and practices of these satellites have now been eliminated. Therefore, the present working document may be rather more brief than its predecessors. Savings effected have varied considerably and have not always been readily quantifiable. However, in the case of the Ispra establishment, for instance, the efforts of this Committee led to a reduction of 39 in the number of vehicles on the inventory.

Annex 1 gives particulars of the appropriations available for the various satellites in 1981.

¹ See Doc nos. 1-726/79, 1-283/80, 1-59/81, 1-66/81, 1-251/81, 1-345/81, 1-35/81, 1-32/81, 1-33/81, 1-425/81, 1-666/82

Separate reports

3. A further relevant element is the mandate given by the Bureau to this Committee to prepare a special comprehensive report on the satellites generally. Moreover, separate discharge reports will be prepared, as required by our previous decisions on the European Foundation for the Improvement of Living and Working Conditions in Dublin and the European Centre for the Development of Vocational Training in Berlin.

The JET joint undertaking

4. The annual accounts and the balance sheet of the JET joint undertaking are required, under article 12 of its statutes,¹ to be submitted to the Court of Auditors for audit. For the 1981 financial year, the Court of Auditors' report is contained in Doc. no. 1-314/82. It is evident from this report that the situation in regard to the accounts of the JET joint undertaking are satisfactory. The Court of Auditors states that the recommendations made by it in its report on the 1980 financial statement have been followed, with the exception of the recommended review of JET's banking arrangements. Further, the Court of Auditors indicated that separate discussions with the Director of the Project and with the internal auditor are in train regarding the organisation of the internal audit of JET. It is, perhaps, indicative of the good relations between the Court of Auditors and JET that the Court of Auditors hopes that these discussions will lead to agreement on ways to improve the effectiveness of JET's internal audit.

5. The rapporteur had the opportunity to visit the JET facility at Culham and to consider matters on the spot. It is not for this Committee to pronounce on the technical aspects; however, on the accounting side, your rapporteur was satisfied with the situation.

¹ L151, 7 June 1978, page 11

He was also highly impressed by the motivation of the team working on the problems of building the Torus, and by their flair and enthusiasm.

6. 80% of the resources of the JET are derived from the EC budget. Therefore, the discharge should be a matter for Parliament as is the case for the general budget. It is not a matter that should be retained by the JET Council. Therefore, it is necessary to insist on the revision of the basic legislation.

The Joint Research Centre

7. The work of this Committee on budgetary control aspects of the Joint Research Centre has been devoted primarily to the establishment at Ispra.¹ Substantial improvements have been made resulting from earlier work of this Committee. It is recalled that the shortcomings at Ispra were among the factors which led to the decision by Parliament on 20 April 1982 to defer the grant of discharge in respect of the 1980 financial year. Special vigilance is required in relation to that establishment, particularly insofar as security, inventory and cost effectiveness aspects are concerned.

The Data-processing centre

8. Considerable progress has been achieved also in regard to the working of the data-processing centre. However, it is necessary to ensure that the links between users of data-processing equipment in all the institutions are strengthened so that there is no overlapping of effort and no wasteful acquisition of surplus equipment.

¹ 1-59/81 and 1-666/82

The Office for Official Publications

9. The expertise built up in this office should be used more fully by the various institutions of the Community. The rapporteur is strongly opposed to the development of parallel 'empires' throughout the institutions with their accompanying acquisition of under-utilised machinery and wasteful deployment of personnel. The heads of the various institutions should keep each other - and the Director of the Office for Official Publications - fully informed of their plans for innovation, work programmes and the possibilities for having recourse to calls for tender.

The European Schools

10. In Doc no. 1-345/81 this Committee comprehensively examined budgetary control aspects of the functioning of the European schools. Your rapporteur regrets that once again two points reappear in the Court of Auditors report. These are the apparent continuing absence of an internal control system in the schools and the need for a thoroughgoing review of the systems governing the payment of salaries with special reference to the computerisation aspect. Both of these matters could figure in the remarks accompanying the discharge decision.

The Committee is aware that its recommendation that an experienced qualified accountant be recruited to the headquarters staff of the Schools has been accepted. This accountant was recruited in May 1982 and the Committee looks for an immediate amelioration of these problems.

Other subsidies

11. Annex II to this text lists the subsidies paid to institutions, movements, non-governmental organisations and miscellaneous bodies - other than the main satellites referred to in the preceding paragraphs that have received subsidies from the Community budget over recent years. The rapporteur insists on the importance of ensuring that the Commission continues to exercise close control over the subsidies given to these bodies, particularly in respect of application of the public accounting principles.

Conclusions

12. There has been considerable improvement in regard to the management of their funds by the various satellites. Separate discharge reports will be prepared on two of the more politically sensitive satellites, the EFILWC and CEDEFOP. A general overall view will be provided in a special report which has been authorised by the Bureau and the position of the Euratom Supply Agency will be covered in that text.

13. The following paragraphs could be included in remarks accompanying the discharge decision:-

- (i) Calls on the Commission to report briefly by 1 November 1983 on the security, inventory and cost-effectiveness aspects of the Joint Research Centre establishments;
- (ii) Insists that an effective internal control system be put into operation in the European Schools by 15 September 1983 and asks the Commission to report back on this matter;
- (iii) Asks that the systems governing the payment of salaries in the European Schools be comprehensively reviewed with special reference to the computerisation aspect;
- (iv) Notes that, in accordance with sound accounting procedures, the Commission will continue to carry out a close scrutiny of the subsidies granted and expects to be kept informed of developments.

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List of subsidies paid in 1981 under Articles
290, 291, 292, 293 and 299 (part).

ARTICLE 290 : Subsidies to institutions of higher education

	<u>ECUs</u>
1. College of Europe - Bruges	60,000
2. Commission pour l'Etude des Communautés Europeennes (CEDECE) - Paris	14,000
3. Institute of Further International Studies - Nice	12,250
4. Co-operation North - Dublin	9,000
5. European University Institute - Florence	8,000
6. University of Edinburgh - Centre for European Governmental Studies	8,000
7. Institute of European Market Law - Copenhagen	5,000
8. Istituto Storico per l'Eta moderna e contemporanea - Rome	5,000
9. Vrije Universiteit Brussel - Faculteit der Rechtsgeleerdheid	4,000
10. The Hague Academy of International Law	3,750
11. INSEAD - Fontainebleau	3,000
12. Universidad Alcala de Henares - Madrid	3,000
13. University College Dublin	3,000
14. Università di Urbino - Centro Alti Studi Europei	3,000
15. Universität des Saarlandes - Europa-Institut - Saarbrücken	2,500
16. Université d'Aix-Marseille - CERIC (Centre d'Etudes et de Recherches internationales et communautaires)	2,000
17. University of Essex - Department of government - Colchester	2,000
18. Université de Grenoble - CUREI (Centre universitaire de recherche européenne et internationale)	2,000
19. Universidade Católica portuguesa - Lisbon	2,000
20. Université de Nancy II - Centre européen universitaire	1,500
21. University of Essex - Department of Law - Colchester	1,250

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22. University College Galway	1,250	
23. Istituto per lo Studio dei Trasporti nell' integrazione economica europea- Trieste	1,000	
	<u> </u>	
		156,500

ARTICLE 291 : Subsidies to European movements.

	<u>ECUs</u>
24. European Movement - International Secretariat - Brussels	110,000
25. Council of European Municipalities - Luxembourg	22,000
26. Association Robert Schuman 'pour l'Europe' Montigny-Lez-Metz	9,000
27. Institut für Europäische Politik - Bonn	7,000
28. Pan-European Movement - Brussels	7,000
29. Paul-Henri Spaak Foundation - Brussels	6,000
30. Institut international des Sciences administratives - Brussels	5,700
31. Foundation Jean Monnet 'pour l'Europe' - Lausanne	5,500
32. Committee for Research into the Unification of Europe (CRUE) - London	5,000
33. Conference des Regions peripheriques maritimes de la C.E. - Rennes	5,000
34. Danish European Movement - Copenhagen	5,000
35. Realites Europeennes du Present - Paris	5,000
36. Mouvement pour l'Independance de l'Europe - Paris	4,100
37. Circolo europeo - Rome	4,000
38. European Left - Rome	4,000
39. European League for Economic Cooperation (ELEC) - Brussels	3,750
40. European political movement:	
a) European Socialist Movement - European Left - Brussels	3,700
b) Liberal Movement for a United Europe - Brussels	3,700
c) European Christian Democratic Union - Brussels	3,700
41. Centre d'Accueil pour l'Europe Unie - Brussels	2,500
42. Politischer Club Berlin - Arbeitskreis für europäische Zusammenarbeit	2,500
43. Groupe d'Etudes politiques europeennes - Brussels	2,000
44. Arbeitsgemeinschaft europäische Grenzregionen - Bonn	2,000
45. Sail for Europe - Brussels	1,250
46. Association of European Journalists Paris	1,000

	230,400

ARTICLE 292 - Participation in the organization of congresses and
occasional meetings

47.	Assuntos europeus - Lisbon	5,000
48.	Centre de Recherche sur Le Monde arabe contemporain - Louvain-La Neuve	5,000
49.	European Socialist Movement - European Left - Brussels	4,000
50.	Institut für Regionalpolitische Zusammen- arbeit in innergemeinschaftlichen Grenzräumen (IRI) - Saarbrücken	4,000
51.	Association internationale des parlementaires de langue française - Brussels	3,750
52.	Forum europeen Alpbach - Osterreichisches College - Vienna	3,750
53.	Deutsch-Englische Gesellschaft - Düsseldorf	3,000
54.	Institut europeen de recherches et d'etudes superieures en management - Brussels	3,000
55.	Ordine Avvocati e Procuratori di Brescia	3,000
56.	Royal Institute of International Affairs - London	3,000
57.	Universite Libre de Bruxelles - Institut d'Etudes Europeennes	3,000
58.	Magazine L'Europeen - Brussels	2,750
59.	Arab Thought Forum - Amman	2,500
60.	Atlantic Visitors Association - Brussels	2,500
61.	European Society for comparative physiology and biochemistry - Amsterdam	2,500
62.	European University Institute - Florence	2,500
63.	International Society for Research into civilized and environmental diseases - Luxembourg	2,500
64.	AGENOR - Brussels	2,000
65.	Centro europeo Studi economici sociali - Perugia	2,000
66.	Institut d'administration des entreprises - Aix-en-Provence	2,000
67.	European League for Economic Cooperation (ELEC) - Brussels	2,000
68.	Mouvement international ATD-Quart Monde - Pierrelaye	2,000
69.	UK national Committee on Comparative Law - London	2,000

70.	Office universitaire de Recherche socialiste (OURS) - Paris	2,000
71.	Europäische Bildungs- und Aktionsge- meinschaft (EBAG) - Bonn	1,500
72.	International Institute of Communications - French section - Paris	1,500
73.	Association internationale des Journées universitaires de la Paix - Brussels	1,250
74.	Association de science regionale de langue française - Rotterdam	1,250
75.	European Centre for Burgundean Research - Basle	1,000
76.	Comite français du Groupement européen des Ardennes et de l'Eifel - Charleville- Mezieres	1,000
77.	Harmonie Lindenholzhausen - Limburg (RFA)	1,000
78.	Journal of Common market Studies - London	1,000
79.	Centre d'Accueil pour l'Europe Unie - Brussels	750
80.	International Association for research in income and wealth - New Haven (USA)	690
81.	Association d'econometrie appliquee - Paris (subscription)	200
82.	Amt für Landwirtschaft und Bodenkultur- Rosenheim (small subsidy)	200
83.	Association des Mineurs pensionnes - Chatelneau (small subsidy)	200
84.	Stadt Mettmann (RFA) (small subsidy)	200

81.490

ARTICLE 293: Subsidies in respect of certain activities performed by non-governmental organizations pursuing humanitarian aims and promoting human rights

	<u>ECUs</u>	
85. European Human Rights Foundation - The Hague	137,000	
86. Brüsewitz-Zentrum - Bad Oeynhausen	20,000	
87. Hilferufe von drüben - Lippstadt	10,000	
88. Huridocs - International Human Rights Documentation Service - London	10,000	
89. Stichting Comite Vladimir Boekovski - Amsterdam	10,000	
90. International Commission of Jurists - Geneva	8,000	
91. Christliches Funkseminar - Munich	4,000	
92. European Conference on Human Rights and Self-Determination - Bonn	1,000	
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ARTICLE 299: Other subsidies

	<u>ECUs</u>	
93. IPC - International Press Club - Brussels	95,000	

<u>GRAND TOTAL:</u>	763,390	

COMMITTEE ON BUDGETARY CONTROL

1981 DISCHARGE

Working Document

on

- the discharge to be granted to the Commission of the European Communities in respect of the financial year 1981 - Borrowing and lending operations
- the report of the Court of Auditors concerning the financial year 1981, Chapter 13 - 'Loans, borrowings and interest rate subsidies'
- the special report of the Court of Auditors on loans and borrowings

Rapporteur: Mr P. B. COUSTE

1. An overall appraisal of the Community's lending and borrowing operations must take account of the different mechanisms used, each of which corresponds to a particular objective.

(a) Operations are performed by means of a series of instruments, each of which obeys a different set of rules:

- balance of payments support loans;
- Euratom loans;
- New Community Instrument (NCI) loans;
- NCI loans to assist Italian and Greek regions devastated by the earthquakes of 1980 and 1981.

Two interest rate subsidy schemes have been set up:

- EMS interest rate subsidies for EIB and NCI loans to Italy and Ireland;
- interest rate subsidies for the EIB and NCI 'earthquake' loans.

(b) In accordance with the Council's decisions, the Commission has allocated part of the responsibility for managements to the EIB. Although borrowings are made on behalf of the Community and guaranteed by the Commission's budget, it is the EIB which draws up the files on NCI loans and EMS interest rate subsidies. The activities of the EIB do not fall directly under Parliament's control.

(c) Parliament has increasingly detailed information available concerning these operations. However, as a result of the distribution of responsibilities between various bodies and the occasional lack of consistency between the documents submitted to it, there is some doubt as to whether Parliament is in a position to exercise effective political control over the operation and management of the mechanisms employed.

2. This situation was one of the reasons which impelled Parliament to defer its decision on the discharge for the 1980 financial year. A major consideration here is the fact that lending and borrowing operations are subject neither to the annual appropriations authorized by the budgetary authority nor to the provisions of the financial regulations applicable to the general budget of the European Communities. In this respect, the situation as regards the 1981 financial year is the same as for the 1980 financial year.

A special report has been devoted to the relations between Parliament and the EIB. The discussion here will therefore be confined to a number of specific points raised in the Commission's report on the borrowing and lending activities of the Community¹ and in the special report on this matter by the Court of Auditors².

3. From the Commission's report it is possible, if only in rather general terms, to trace the general trend in financial activities in the 1981 financial year. When the Community instruments are considered collectively (NCI, Euratom, EIB, ECSC) a considerable increase is to be noted in loans granted to the energy sector, which, as a proportion of total loans granted, rose from 40% in 1980 to 46% in 1981 or a real figure of 1,928.3 million ECU.

Likewise, although to a lesser degree, loans to the infrastructure sector can be seen to have increased as a proportion of total loans from 31% in 1980 to 33.8% in 1981 (1,390.2 million ECU).

At the same time, loans granted to the productive sector in 1981 accounted for only 19.2% of total loans as against 29% in 1980. The transactions have diminished in absolute value, falling from 1,278 million ECU in 1980 to 788 million ECU in 1981. This is a disturbing situation which is mainly the result of a decrease in loans to the coal and steel industries and the decline in productive investment in the Community.

A welcome development has occurred in that, in what constitutes the first opening of the NCI to the industrial sector, productive investment projects of small and medium-sized enterprises are now eligible for loans under the NCI 2 scheme introduced in 1982. This development corresponds to a wish already expressed by Parliament.

4. The fundamental need for concordance between the NCI loans entered on the Commission's balance sheet and those appearing on that of the EIB, the importance of which has already been underlined by the Court of Auditors and the European Parliament, is still raising difficulties. Thus, according to the accounts of the EIB, the amount of NCI loans granted in 1981 was 539.8 million ECU, but according to the Commission's management accounts, 328.4 million ECU. Without wishing to underestimate the differences between the accounting systems used by the EIB and the Commission which correspond to different legal provisions, your rapporteur feels that efforts should be made to bring them more into line with each other.

¹ COM(82) 466 final

² OJ No. C 319, 5.12.1982

5. As regards the NCI and Euratom mechanisms, Parliament notes that measures have been, or will shortly be taken by the Commission, to introduce procedures for a separation of tasks, similar to that provided for in the financial regulation for budgetary control over the respective functions of the authorizing officer, the financial controller and the accountant. Parliament stresses the importance it attaches to the successful implementation of these measures.

6. Certain aspects of the mechanisms adopted to pay EMS interest rate subsidies in respect of EIB and NCI loans in Italy and Ireland elicit a number of observations.

Borrowers in Italy and Ireland have a choice between two possible formulae:

- annual repayments at a reduced rate for the duration of the loan;
- annual repayments at the full rate with an immediate financial contribution representing the updated value of the reduction in annual repayments.

The Italian authorities have opted for the first formula, the Irish authorities for the second. In either case, the Commission pays this updated amount to the EIB for each loan.

Until 31 December 1982 the updating rate used was equal to '75% of the annual rate of interest which the loan would have borne if it did not benefit from a subsidy'. In short, the immediate financial contribution represented an advance payment at a preferential rate, lower than that prevailing on the financial markets at the time when the loan was concluded.

This method involved an additional advantage for the borrower. However, when the latter opted for the interest rate subsidy on annual payments for the duration of the loan, it was the EIB, as the holder of the financial contribution, which benefited from the preferential rate.

Since 1 January 1983 this situation has been corrected. There is no longer a preferential rate, the updating rate used now being equal to 99.6% of the unsubsidized rate of interest.

As before, borrowers still have a choice between an immediate financial contribution and an interest rate reduction for the duration of the loan.

7. It is not possible to verify the balance between lending and borrowing operations on the basis of certain essential criteria for good management:

- correspondence between funds lent and debts in currency; in this respect there is a discrepancy of more than 6 m ECU between the exchange rate adjustments realized on Euratom loans and those realized on Euratom borrowing, and one of 400,000 ECU in respect of NCI operations.
- overall correspondence between the duration of lending operations and that of borrowing operation; the same remark applies to the rates for these operations.

The overall balance between the volume of lending and borrowing necessary to ensure the budgetary neutrality of these operations is assured with the exception of 13 m ECU under a heading 'differences to be regularized', in respect of which the Commission has given useful explanations.

8. With regard to balance of payments support loans, the Committee on Budgetary Control wishes to obtain clarification as to whether the recipient Member States have complied with the economic policy conditions attached to these loans. It will take the necessary steps to ensure that the undertakings given by the beneficiaries have been respected.

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Your rapporteur believes that, from a great many standpoints, the existing mechanisms do not enable Parliament either to direct or control the borrowing and lending operations of the Community in a satisfactory manner.

- (a) The absence of specific and detailed budgetary authorization leaves responsibility for identifying the needs for finance to which the Community should contribute to the Commission and its agent, the EIB. The division of operations between EIB and NCI loans, like the breakdown of aid between the productive sector, energy and transport, does not correspond to precise criteria and, on the evidence of developments in recent years, does not provide the continuity which is vital for Community policy.

- (b) The financial rules governing borrowing and lending operations are ill-suited for the purposes of effective a posteriori control; in addition, there is a lack of consistency between the EIB and the Commission with the result that the control exercised by the European Parliament remains inevitably superficial, despite the Commission's efforts to provide greater information, in addition to its published administrative accounts.
- (c) As it is responsible at one and the same time for laying down political guidelines for the Community's financial activities as a whole and for exercising control over these activities, Parliament is not able to ascertain whether actions under the general budget and lending and borrowing operations are complementary. Moreover, this dual function means that less attention is paid to the choice of the most appropriate budgetary or financial instrument for achieving the aims of the Community. The measures taken by Parliament to bring certain EIB activities more into line with budget actions is a first step towards improving this situation.

The conclusion to be drawn from all these remarks is that it is particularly vital to budgetize lending and borrowing operations and to harmonize the financial rules applicable to the general budget and to these operations.

EMS interest subsidies paid from 1981 appropriations

	<u>Subsidized loans</u>		<u>Interest subsidies paid</u>	
	Number	Million ECU	Million ECU	%
A. <u>By recipient country</u>				
Italy	41	726.3	126.6	65.5
Ireland	17	291.2	66.6	34.5
B. <u>By origin of resources lent</u>				
NCI	9	113.5	18.1	9.4
EIB	49	904.0	175.1	90.6
C. <u>By sector of use</u>				
Primary energy production	12	220.3	37.4	19.3
Transformation of energy	6	134.9	29.5	15.3
Transmission of energy	13	312.6	56.4	29.2
Sub-total: energy	31	667.8	123.3	63.8
Water engineering	16	163.4	32.2	16.7
Industrial infrastructure	4	72.3	12.8	6.6
Transport and communications	7	114.0	24.9	12.9
Sub-total: other infrastructure	27	349.7	69.9	36.2
TOTAL	58	1,017.5	193.2	100.0

Table 4
Breakdown of loans in the Community in 1981 by instrument, sector and country

(in million ECU)

	NCI			Euratom		EIB				ECSC				Total			Σ	
	Inf.	Energy	Total	Energy	Total	Pr. (1) Pr. s.	Inf.	Energy	Total	Pr. (1) Pr. s.	Inf.	Energy	Total	Pr. (1) Pr. s.	Inf.	Energy		Total
B	-	-	-	225,2	225,2	12,3	-	170,2	182,5	-	0,5	-	0,5	12,3	0,5	395,4	408,2	10,8
DK	-	-	-	-	-	13,3	10,6	119,0	142,9	-	-	-	-	13,3	10,6	119,0	142,9	3,5
D	-	-	-	-	-	-	-	292,0	292,0	53,2	5,9	33,2	92,3	53,2	5,9	325,2	384,3	9,3
GR	-	-	-	-	-	61,2	98,0	-	159,2	-	-	-	-	61,2	98,0	-	159,2	3,9
F	40,3	-	40,3	98,8	98,8	-	67,7	159,0	226,7	85,1	2,3	24,0	111,4	85,1	110,3	281,8	477,2	11,7
IRL	8,1	9,2	17,3	-	-	81,9	113,7	129,7	325,3	11,0	-	-	11,0	92,9	121,8	138,9	353,6	8,6
I	363,9	84,6	448,5	33,6	33,6	277,7	524,8	448,8	1251,3	96,2	5,3	-	101,5	373,9	893,9	566,9	1834,7	46,6
L	-	-	-	-	-	-	-	-	-	-	0,1	-	0,1	-	0,1	-	0,1	0
NL	-	-	-	-	-	-	-	-	-	-	0,5	-	0,5	-	0,5	-	0,5	0
UK	33,9	-	33,9	-	-	25,8	193,0	-	218,3	70,2	0,1	-	70,3	96,0	227,0	-	323,0	7,9
Non-EEC (2)	-	-	-	-	-	-	-	22,3	22,3	-	-	-	-	-	-	22,8	22,8	-
	446,2	93,6	539,8	357,6	357,6	472,2	1007,8	1341,5	2821,3	315,7	14,7	57,2	387,6	788,0	1390,2	1928,3	4106,5	100
% Inf.			13,2						68,7				9,6				100	
% sect.														19,2	33,8	47,0	100	

(1) Pr.s. = productive sector

(2) Operations under Article 18 of the EIB's Statute

(3) Of which 282.1 million ECU in the form of guarantees

(4)

The conversion rates used were those obtaining on 31 December of the year in question in the case of ECSC loans and those obtaining on the last working day of the quarter before the contract was signed in the case of EIB, NCI and Euratom loans.

COMMITTEE ON BUDGETARY CONTROL

1981 DISCHARGE

WORKING DOCUMENT

on

Personnel, Administration and Operational Expenditure
of the Commission

Draftsman: Mr P. N. PRICE

1. The Court of Auditors has devoted less attention to the administrative budget of the Commission than in previous years. This time they have focussed more attention on the Parliament. Nevertheless, there are several criticisms or ideas for improvement included in the Report which should be mentioned in the discharge decision. The main topics are the translation services, the employment of local staff and the administration of press and information offices..

The trend of administrative expenditure

2.(a) The following table shows the trend of administrative expenditure over recent years for all Institutions and for the Commission.

	<u>Payment increases over previous years</u>		Administration expenditure as percentage of total budget	Commission administration expenditure as percentage of total budget
	For all institutions %	For the Commission only %		
1976	11.92	11.03	5.8	4.4
1977	18.41	16.75	5.7	4.2
1978	36.15	34.24	5.7	4.1
1979	14.21	12.17	5.4	3.8
1980	6.15	1.84	5.0	3.4
1981	14.9	13.2	5.3	3.6

Source : ECA Report on 1981, p. 164 (OJ No. C 344 of 31.12.82.)

In respect of 1980, your draftsman remarked that the Commission's administrative expenditure had been growing less rapidly than that of other Community Institutions. This trend has been confirmed by the 1981 figures as shown in the table above.

(b) Utilization of funds for administration (payment appropriations)

	1981 final appropriations	Payments made	Percentage utilization rate	Carry-overs to 1982	Cancellations
All Institutions	1040.2	886.4	85.2	72	81.8
Commission	687.5	601.1	87.4	42.7	43.7

	Carry-overs from 1980	Payments made	Percentage utilization rate	Cancellations
All Institutions	67.2	57.8	86	9.5
Commission	39.4	35.7	90.6	3.7

Source : ECA Report, OJ C344 of 31.12.82., p. 155

Recruitment

3. The following table illustrates that the gap between posts authorized by the budgetary authority and the number of officials in post remains large but also shows that the Commission's performance in this respect is relatively good.

Institution	Posts authorized at 31.12.80.	Staff at 31 December 1981	Vacant posts	Vacancies as % of authorised posts	
Parliament	2927	2409	518	1981	(1980)
Council	1700	1570	130	17.7	(21.95)
Economic & Social Committee	374	361	13	7.6	(7.5)
Commission				3.5	(1.0)
- Administration, excluding Office for Official Publications	9173	8754	419	4.6	(4.72)
- Office for Official Publications	284	255	29	10.2	(13.96)
- Research and investment	2260	2206	54	2.4	(8.85)
- direct action					
- indirect action	493	439	54	10.9	(9.45)
Court of Justice	452	390	62	13.7	(8.54)
Court of Auditors	284	232	52	18.3	(19.69)
TOTAL	17947	16616	1331	7.4	(7.59)

Source : ECA Report 1981, p.93

4. The Commission reported in its replies to the requests put by the European Parliament in its Resolution of 20th April 1982 (COM(82) 461/fin.) that it would publish lists of posts before constituting reserves for future recruitment to expedite the filling of posts. But it is clear that much still remains to be done and that, regrettably, there has been little progress on increased joint recruitment although the Commission informed Parliament in its reply that it had been actively trying to promote a policy of joint recruitment. The fact that the gap has hardly narrowed over the last year suggests that few effective improvements in recruitment techniques have been implemented; the interval between the authorization of new posts by the budgetary authority and the appointment of new officials is still too long.

Translation

5. Following the pattern it established in 1980 in examining the output of the typing pools of the various Institutions, and responding to the encouragement from Parliament to pursue this line of enquiry, in its 1981 Report the Court has made a comparative analysis of the output of the translation sections within the various Institutions. They have presented data showing that the average cost per page of translation of Community documents, taking account of both direct and indirect costs, is 105 ECU. The average direct cost is estimated to be 91 ECU per page, to which is added indirect costs such as rent, equipment and mission expenses. The spread of ^{direct} costs is from 65 ECU per page in the Court of Justice to 104 ECU per page in the Commission offices in Luxembourg. The Commission has adduced reasons for the particularly high cost in Luxembourg : about 25 per cent of the work is the record of Parliamentary debates, about 30 per cent is invitations to tender; such documents, which will be published immediately, require a higher level of accuracy.

6. The Court has also recommended the early introduction of the automatic translation system, SYSTRAN; the Commission has replied that this system is being brought gradually into day to day use with some success.

7. Although the attempt to make comparisons of output on matters such as translation is fraught with great difficulty and results must be interpreted with circumspection, the Court's initiative will have been useful if it encourages the Institutions to focus on ways in which the translation services can be used more efficiently.

8. The Commission should investigate the cost of external translation of these documents which are neither required urgently nor of a confidential nature to determine whether this would not be cheaper than translating internally.

9. The Court makes several worthwhile suggestions for containing costs : restrictions of the number of languages used for certain specific limited purposes; working documents being sent out in unrevised translation; terminological assistance being given centrally using a central data bank; better coordination between the translation services of the various Institutions.

The Court's general comment is that "it is essential for the

Institutions to reduce the volume of translation by the use of clear rules of procedure".

10. The Court do not mention the potential savings which might be achieved by increased use of word processing and, in particular, the possible combined use of such facilities by the institutions. Thus the electronic text would be available to Commission, Parliament and Council as it passed through its various stages. This idea could be linked to the eventual use of SYSTRAN but introduced at an earlier stage.

Output of the typing pools

11. In response to previous comments, the Commission is now studying how best to measure objectively the results achieved by the pools, so that efficiency can be further enhanced. Although the number of pages recorded in the Commission pool was below the ECA standard, it is clear that the Commission is determined to make improvements which could contribute to enhancing performance. The results of their examination should be shared with the other Institutions and Parliament should be informed of the improvements proposed.

Local Staff

12. Article 4 of the Conditions of Employment of Other Servants provides that local staff shall be engaged for manual or service duties. Consequently, the conditions of employment should follow the local rules for workers in comparable activities. But the Court has found that :-

- (i) in Brussels, local staff are on an equal or better footing than officials;
- (ii) rules for adjusting income of local staff do not take account of decreases in outside earnings.

The Court of Auditors finds :

- that the spirit and letter of the Staff Regulations have been broken with regard to local staff;
- that there are considerable differences between the Institutions in the interpretation of the Staff Regulations and therefore the treatment of local staff;
- that the Institutions should urgently re-examine this anomalous and inconsistent situation.

13. It must be recognized that the Commission has been placed in a difficult position regarding local staff : Parliament and Council have established all their local staff but both arms of the budgetary authority have refused to allow the Commission to pursue a similar policy (in the 1983 budgetary procedure, the Parliament rejected the rapporteur's amendment which would have established 80 local posts).

14. Nevertheless, the Staff Regulations should be observed. The Commission should seek to establish a common policy on the application of the conditions of employment of local staff with the other Institutions which fully complies with the existing regulations. If the heads of administration consider that the category of "local staff" is no longer relevant to modern conditions, they should ask the Commission to propose the necessary amendments to the Staff Regulations.

14a. However, there are a number of advantages in retaining the category of local staff and there are difficulties inherent in the procedure of making local staff part of the permanent establishment. The recruitment of local staff gives flexibility and, if the relevant regulations are operated correctly, reduces budgetary costs. Furthermore, when local staff are established, the normally high standards for recruitment of permanent officials may be lowered. If such lowering of standards does not take place, people who have satisfactorily performed a specific and limited task, perhaps for a number of years, may find themselves without employment.

External Offices

15. In the ECA Report it was stated "neither the Commission or the Parliament has so far drawn up statements of costs for each of their offices. Consequently the Court found itself obliged to make its own estimates for the financial year 1980, which are as follows :

Commission : 20.4 mECU

Parliament : 2.5 mECU "

16. With regard to the procedure for paying staff at external offices, the Court of Auditors comments : "No check is made of the number of officials actually employed against the number of salaries actually paid".

17. As a result of lack of coordination between the central administration and the local offices, the ECA remarks that there is a danger that the amount of VAT paid by the EEC in Member States is not all subsequently refunded

Irregularities in overtime payments to local staff in Dublin

18. It was found that certain overtime paid to staff had in fact never been worked; in the course of 1980, 3,700 Irish pounds (5,400 ECU) were paid out in this way merely to raise the income of local staff. A very damaging quote from a letter from an official in D.G. X to the Head of the Dublin Office was cited "... you can 'distribute' 50 per cent of the previous year's total however you wish among the different members of your staff". Does this suggest that similar practices are in force in other external offices? In combination with the 1980 Report findings on overtime allowances (see paras 10.23 to 10.27 of the 1980 ECA Report, OJ C 244 of 31.12.81.), there is evidence of a nonchalant disregard for the proper allocation of provisions on overtime by the Commission

19. The Commission has stated, in connection with the practices uncovered at Dublin, that the Directorate-General for Information is making the administrative investigations required by the Court's comments. Parliament will wish to be fully informed of the outcome of these investigations. Such practices clearly confirm the impression of general slackness which led the Court of Auditors to make such detailed proposals in 1981 on reform of the system of payment of salaries.

Unnecessary duplication of staff

20. In Dublin, although the Commission and Parliament share the same building, failure to co-ordinate decisions at an early stage has led to two doormen being employed. There has been far too little progress in the use of shared staff and facilities by Commission and Parliament at their external offices.

Previous weaknesses in the control of remuneration

21. In its Report on 1980 the Court of Auditors drew attention to certain weaknesses in the control of remunerations, vide sub-paragraphs (a) to (f) of paragraph 10.6 of the ECA Report (OJ C344, 31.12.81, p. 120). The Commission replied to some of the points in August (op.cit. above) but has not responded satisfactorily to the criticisms of the specific computer programme for payment of salaries made by the Court of Auditors (paragraph 10.7 of OJ C 344, 31.12.81, page 121). Nor has the Commission taken up the suggestion of a second signatory, who would carry out a series of standard checks, on the instruction to banks for payment of remunerations. It would appear, however, that in other respects a considerable effort has been made to meet some of the ECA criticisms.

Staff Personal Files

22. The Commission commented in its replies to the Court of Auditors' criticisms on 1980 that it was "well aware" of the problem raised by the Court but, mainly owing to shortage of staff, has not yet been able to honour all its obligations under Article 26⁽¹⁾. In its August replies the Commission informed Parliament that it had taken steps to ensure that personal files of newly recruited staff would be kept in strict compliance with the provisions of the Staff Regulations but that older files could be brought into line only gradually.

23. These efforts at improvement should receive higher priority in the deployment of staff and allocation of staff time, so as to shorten the time scale. As personal files contain information on which salaries are calculated, their misuse could potentially have significant financial implications.

Payments re steel audit

24. On 31 October 1980, the Commission decided that the compliance by steel companies with the steel production quotas should be monitored by private audit firms and engineers. Early in November about 100 auditors and about 40 engineers were engaged. However, the contracts were entered into before the necessary proposals for commitment of the expenditure were made. Thus the accounting procedure was irregular, the financial controller withheld his approval and the Commission found it necessary to over-rule this refusal.

¹OJ C344 of 31.12.81, p.241

25. The need for speedy action is apparent and the Commission is to be commended on the lack of delay in starting on the monitoring. However, it is essential that the systems of accounting and financial control are sufficiently flexible to meet needs of this kind and that officials executing policy do not neglect to comply with them.

The Commission's driver service, selection of cars and the maintenance workshop at Luxembourg

26. The ECA Report on 1980 drew attention to examples of overtime worked by drivers far exceeding the amount permitted by the relevant regulations. The Commission, with the other Institutions, has now agreed on a common set of arrangements for drivers' overtime modelled on the system in force at the Court of Auditors, which it is in the process of implementing.

27. On choice of cars, the Commission is continuing the practice of spreading its purchases over the various manufacturers in the Community, although cost ceilings have been set and factors such as purchase price, maintenance costs, resale price and reliability are taken into account when deciding between models produced in each Member State.

28. The Commission argues that a policy of joint purchase of cars by the Institutions would be unlikely to yield savings as the price paid reflects standard reductions accorded by motor agents to the Institutions and is not dependent on the quantity purchased. This ignores the consideration that further reductions might be negotiable if the entire order of the Community Institutions was at stake. It would be helpful if, as an experiment, a joint purchasing policy was pursued for a period.

29. Following the remarks made by the Court of Auditors on the workshop in Luxembourg, the Commission carried out a review of the operations of the workshop and found that the staff could be reduced by half; the work is now confined to maintenance of official cars. This should result in a substantial annual saving.

30. The Commission is now pursuing a policy of making greater use of hired cars. It will be necessary for Parliament to monitor the Commission's requests for appropriations in the Preliminary Draft Budgets for 1984 and 1985 to verify that the possible savings under Article 233 - Vehicles - are being achieved.

Insurance

31. The draftsman has written to the Commission on this matter as little progress appears to have been made since it was first brought to light in the context of the 1979 discharge. In its reply to the interim discharge the Commission states that "the study requested by Parliament on the possibility of letting certain risks be borne directly by the Community rather than taking out external insurance is in hand as regards staff coverage against accidents" and that Parliament would be informed as soon as results were available. The draftsman has been informed that this study has revealed that it is less costly to insure commercially than to have recourse to self-assurance in this case but the example chosen by the Commission for its study seems to the draftsman to be a peculiarly inappropriate one. Apart from considerations of cost, it could lead to the institution having to take decisions in which negligence is alleged against it by its own staff. The draftsman suggests that a better starting point would be a further pilot study on insurance of buildings, furnishings and equipment.

Conclusions

32. The Committee on Budgetary Control therefore adopts the following conclusions:

- (a) repeats its request that the Commission introduce measures to speed up the procedures of external recruitment and internal promotion and transfer, so as to avoid posts remaining vacant for long periods;
- (b) urges the Commission to consider ways in which the productivity of its translation services can be enhanced, including greater use of word processing equipment; notes that considerable sums are now being devoted to the development of automated translation systems; considers that the potential benefits to be derived from such investment should be carefully monitored and that it should be

integrated with a policy for word processing;

- (c) awaits further response from the Commission on action taken to improve the productivity of its typing pools;
- (d) reminds the Commission of the importance of conforming strictly to the provision of the Staff Regulation in respect of the treatment of local staff and invites its comments on the overall policy relating to the employment of local staff;
- (e) notes with concern the defects in financial control in the information offices, particularly the Dublin Office, brought to light by the Court of Auditors; awaits with interest the results of the investigation currently being conducted by the Directorate-General responsible;
- (f) repeats its call for more collaboration between Commission and Parliament relating to information offices so as to increase effectiveness and minimise costs;
- (g) notes the steps which the Commission has already taken in response to the Court of Auditors' previous criticisms of the control of payment of salaries both in respect of the central administration and external offices and considers that this process should be continued to cover the remaining points;
- (h) insists that the Commission takes urgent steps to bring the conditions under which personal files are held into conformity with Article 26 of the Staff Regulations;
- (i) requests the Commission to explain the action which it has taken to avoid further contracts being concluded prior to proper commitment of the expenditure;
- (j) welcomes the Commission's decision to have greater recourse to hired cars to meet peak demand but urges that the Commission undertake a more far-reaching review of its transport needs to distinguish those services which it must provide for itself from services which could be provided externally, and to assess the savings which might accrue from pursuing such a policy;

(k) requests the Commission to study the possibility of covering appropriate risks, such as those relating to buildings, furnishings and equipment, without recourse to external insurance.

EUROPEAN PARLIAMENT

COMMITTEE ON BUDGETARY CONTROL

1981 DISCHARGE

Working document

on

the administrative expenditure of the Institutions

of the European Community

other than the European Commission

Rapporteur: Mr Konrad SCHÖN

14 March 1983

I. European parliament

This working document deals with the problems of the European Parliament which arose in 1981, as referred to in the report by the Court of Auditors but also as perceived by the rapporteur in the course of his work as the member responsible for this field.

Since parliamentary control constitutes a political activity, an attempt will be made in this working document to draw political conclusions from the findings and observations made.

1. Court of Auditors' annual report for 1981

The Committee on Budgetary Control, the Bureau of the European Parliament and the Court of Auditors itself have now agreed on a procedure for dealing with the observations of the Court of Auditors in Parliament and replying to these observations to enable each party to face up to its responsibilities. In the main, the rapporteur for the Committee on Budgetary Control endorses Parliament's replies, to the observations of the Court of Auditors. This document is confined to problems which warrant particular comment.

(a) Exchange Losses

Since the publication of the Court of Auditors' report, the situation has changed:

The accounting officers of the various institutions have proposed a new system for entering exchange gains and losses in the accounts:

However, for the year 1981, rules were in force which had to be respected, more specifically the arrangement referred to in paragraph 2.2b of the Court of Auditors' report. The arguments put forward by parliament are admittedly correct. Parliament has even acknowledged that the exchange losses in question should be entered under Item 2321. That the necessary steps, i.e. the transfers of resources, were not taken is therefore all the more incomprehensible. Moreover, an identical problem has arisen as regards 1982. The committee will have to decide how this amount of 307,801.86 ECU is to be treated in the discharge procedure.

At all events the final solution for recording these losses should not impair the transparency of the accounts. If these losses should be entered in the accounts as part of the procedure for determining the balance the Commission would at the same time have to undertake a complete analysis of the procedure.

(b) Appointment of local staff as officials

The Court of Auditors has rightly ascertained that the treatment of local staff varies greatly from one institution to another. The Court also arrives at the correct conclusions: a review of the situation is urgently needed. However, as regards the appropriateness of the policy applied by Parliament in this connection, the Committee on Budgetary Control takes the view that it is entitled to consider the matter because:

1. the gradual process of appointing local staff as officials was approved in principle by the budgetary authority in 1976, and
2. the criteria applied under this procedure were objective in character.

All in all, this policy corresponded to a need for Parliament itself to take emergency measures at a time when the other institutions, and the Council in particular, were unable to take action which was long overdue.

(c) Parliamentary meetings elsewhere than at the three usual meeting places

The rapporteur fully endorses Parliament's replies from point 11.09 to point 11.12 to the effect that the decisions which Parliament as the political authority takes in this field are autonomous and based on political criteria. Clearly, Parliament is concerned to ensure that the costs of such meetings are kept as low as possible.

(d) Problems of Parliament's external offices

The Committee on Budgetary Control is aware of the fact that problems arise with regard not only to the budgetary management but also to the efficiency of Parliament's external offices. The committee has therefore instructed its chairman to draw up a report on this subject.

2. Court of Auditors' special report on the European Parliament Members' cash office

In 1982, the Court of Auditors published in the Official Journal (OJ C 202 of 5.8.1982) a special report on the European Parliament Members' Cash Office. This report is also referred to in the annual report for 1981 under paragraph 2.2c where the Court of Auditors states that the amount entered under the assets of the balance sheet as expenditure not yet brought to account cannot be justified. On the basis of this report and the urgent request from the Court of Auditors, the Bureau decided to call in a private company to make a thorough investigation of the questions raised by the Court of Auditors.

Whatever assessment is made of the quality of the report and the appropriateness of this investigation, it is nonetheless clear that the investigation was unable to prove any cases of fraud or any irregularities.

However the investigation did serve to demonstrate the unsatisfactory nature of a number of procedures and how the administrative organization gave rise to a confusion of responsibilities. Over the years and even now these deficiencies have been and are the cause of errors or delays in accounting so that, as the Court of Auditors has pointed out, it is not always possible to justify all amounts entered under the assets of the balance sheet.

In the course of its work the Committee on Budgetary Control has identified a number of reasons for this lack of transparency:

material errors which do not, however, exceed the acceptable limits; and shortcomings in the system of classifying supporting documents.

Lastly, the Court of Auditors has not made any proposal - for example in paragraph 2.2c concerning exchange rate losses - for distinguishing the corresponding amounts in the discharge decision and correcting the accounts. In other words these 'deficiencies' raised by the Court of Auditors do not constitute any problem as regards the discharge and the rendering of the accounts for the 1981 financial year.

3. Problems relating to the organization of the budgetary departments and budgetary control in Parliament

A. Deficiencies

The Committee on Budgetary Control has drawn up for the Bureau, draft internal rules for the implementation of the budget. The aim is to close any gaps and remedy the most serious deficiencies as quickly as possible. These internal rules should be reviewed, amplified or amended on the basis of experience after a period of six months. Observation of the implementation of the budget shows that problems are to be found in Parliament at three levels:

(a) confusion of responsibilities with regard to political decisions

Budgetary decisions, i.e. decisions concerning the major outlines of Parliament's budgetary policy, are prepared or adopted by at least five different authorities: Secretary-General, Bureau, Committee on Budgets, Committee on Budgetary Control and the Quaestors.

Recently major efforts have been made to clarify the distribution of responsibilities between these authorities. However, not all the problems have yet been solved and a number of ambiguities still remain.

(b) weakening of responsibility in relation to implementing decisions

Due to the confusion of responsibilities at the political decision-making level circumstances arise in the implementation of these decisions where irresponsible actions may occur. The most common examples concern the procurement of equipment far in excess of the appropriations available for this purpose. Such cases were noted in the printing, audio-visual and transport sectors.

(c) Lack of transparency in the presentation of accounts

Contrary to the provisions of the Financial Regulation Parliament keeps only one type of accounts - expenditure and revenue accounts - which are confused with general accounts. These accounts suffer furthermore from the fact that recourse to imprest accounts is frequent while these imprest accounts are entered very belatedly into the expenditure and revenue accounts.

Lastly the procedure for effecting expenditure in Parliament is very time-consuming. As a result, the administration has only a very unclear picture of implementation and comes under pressure in the final months of the year.

B. The characteristics of internal control in Parliament

The principles of internal control are taken from the general Financial Regulation. The main principle is the division between the duties of the Authorizing Officer and the Accounting Officer. This principle in itself provides the first level of control. The Accounting Officer, who is accountable for the effecting of expenditure, controls the decisions to effect expenditure taken by the Authorizing Officer.

Further control over the decisions of the Authorizing Officer is assured by the Financial Controller. This control goes further than that exercised by the Accounting Officer and relates essentially to the two main powers of the Authorizing Officer, i.e. commitments and expenditure authorizations. This control relates to the regularity, legality and sound financial management of expenditure. The control effected by the Financial Controller only covers superficially the work of the Accounting Officer: the accounts are submitted to him.

There is a third form of control over the decisions of the Authorizing Officer in the shape of the Advisory Committee on Procurements and Contracts, which examines the regularity of procurement procedures and also deliberates on more general problems.

Finally the control exercised by the Committee on Budgetary Control can be seen as a fourth internal control over the Authorizing Officer. This multiplicity of internal controls has not served the purposes of efficiency - on the contrary!

First and foremost controls over the Accounting officer are inadequate. His duties are in fact ambiguous: on the one hand he is responsible for rendering accounts and on the other he also acts as cashier so that he should render the accounts in respect of his own cash funds and at the same time also exercise control over himself.

The provisions governing his disciplinary and financial accountability constitute far too clumsy an instrument to expect him to comply with the various procedures in every case.

The control exercised by the Financial Controller is made considerably more difficult by the fact that only very specific parts of the procedure fall within his terms of reference and that he has not yet identified his natural interlocutor.

The responsibilities of the Authorizing Officer are all the more difficult to determine in that, with regard to certain resources, the Authorizing Officer is not always the actual user of the funds. Over the years, authorizing powers have been distributed amongst departments not in a logical manner but as a matter of habit if not as a reflection of power positions.

The work of exercising these controls is made more complicated by ambiguity concerning the interpretation of budgetary decisions and in particular of the comments. On the one hand, the comments are formulated in such a way as to allow some flexibility in the management of the budget. On the other hand, many comments are too vague for the administration to form a clear picture of the intentions of the budgetary authority.

The budgetary authority should take steps to ensure that these comments are formulated more clearly. In this connection a problem arises: occasionally the comments show a breakdown of resources among various destinations. Since the comments are binding in nature, the budgetary authority should ensure that this breakdown has a functional significance but does not lead to inflexibility. At all events, it is clear that only the breakdowns set out in the comments and in the budget itself have any binding character.

Finally the Committee on Budgetary Control is not always in possession of the information and documentation it requires to carry out its task; despite repeated demands, the quarterly reports and the annual accounts are far from providing complete and regular information on Parliament's budgetary management.

C. Organization of Parliament's financial services

For some years now there has been a feeling in parliament that financial management, i.e. budget, running of accounts, Cash Office and budgetary control, has not been properly organized. On several occasions disputes on practical matters - concerning the new appointments, the drafting of the internal rules, investigations of particular problems - have arisen between various authorities within Parliament such as the Secretary-General, the Financial Controller, the Bureau for the Committee on Budgetary Control.

None of the attempts made to restructure these services were convincing. In many cases they were stop-gap measures, e.g. in matters entailing personal decisions or involving the introduction of new technology. A general plan, i.e. an overall analysis of responsibilities and deficiencies, never really existed. In recent times, several investigations and enquiries have admittedly been carried out by outside firms. For the most part, these studies have been very good. However - apart from the fact that one might ask whether Parliament's own services could not have done this work just as well and more cheaply - such studies are subject to certain limits:

- they cannot replace decisions;
- the analyses and proposals they make are purely technical;
- they have a natural tendency to recommend technocratic solutions for problems which also have other aspects or more complicated dimensions.

At all events, it would be advisable to undertake a thorough examination of the principles, tasks, organization, staffing, procedures, technical improvement and in particular possible use of data processing as soon as possible and to submit relevant proposals.

Clearly, an examination of this kind would have implications for a number of everyday procedures. An examination of the principles which govern the management of the budget and the definition of the role of the Authorizing Officer, the Accounting Officer and the Financial Controller might of course lead to changes in the Financial Regulation.

The plan for the development of data processing in Parliament would also have to be adapted. And finally new appointments to posts in the finance divisions would also have to take account of these aspects.

II. Court of Auditors

As in previous years the Court of Auditors has made no observations in its annual report concerning control over the implementation of its own budget. Discussions are currently under way with a view to determining how to ensure democratic control over the use of these Community resources which are managed by the Court itself. The solution for this problem will have to take account of the following facts:

- the control over the budget must adhere strictly to a clear definition of tasks. The Court of Auditors must apply the same principles of good management and regularity with regard to itself as with regard to the other institutions. Political judgements and any conclusions to be drawn should be subject to parliamentary control.

The Treaties have invested a degree of responsibility in Parliament for the appointment of members of the Court of Auditors. On several occasions Parliament has stated that it would like to exercise this responsibility in such a way that the composition of the Court guarantees the highest quality of control. The term of office of six members of the Court expires next October. Parliament wishes to be consulted in time to be able to adopt a position on the basis of the following criteria:

- experience of budgetary control in public institutions;
- knowledge of the problems of parliamentary budgetary control and relations between courts of auditors and parliaments;
- the ability to contribute new ideas and experience to the European Court of Auditors.

III. Other institutions

The rapporteur has taken note of the report by the Court of Auditors, the replies from the institutions and the analysis made of budgetary management. The Council has expressed the wish that the observations relating to each institution should appear in a separate section of the report. It is true that the present arrangement whereby these observations appear at various points throughout the report has resulted in the importance of these observations being exaggerated in the press.

Such exaggerations could perhaps be avoided if the observations were published separately.

In response to a request from Parliament, the European Court of justice has now opened the procedure for the appointment of a Financial Controller.

COMMITTEE ON BUDGETARY CONTROL

WORKING DOCUMENT

on

Parliament's amendments to the 1981 budget and their
implementation by the Commission

Rapporteur: Mr K. SCHON

The Commission's failure to implement amendments to the 1981 budget

Amendments by Parliament form a central part of the final budget, since they constitute the direct expression of the political will of the directly elected representatives of the peoples of Europe. Parliament has emphasized this point in every discharge debate to date and also, for example, in the debates on the oral questions regularly tabled by Mr Notenboom on the implementation of the budget.

The failure to implement or satisfactorily to implement the appropriations entered in the budget by Parliament by way of amendments has thus been strongly condemned year after year. For example, in the Aigner resolution on the discharge for the 1977 financial year (Doc. 1-463/79) Parliament emphasized (paragraph 3) '... that such failures [i.e., to implement appropriations] are a built-in feature of many areas of the budget and lead to a diminution of the budgetary powers of the European Parliament;'

In the Battersby resolution on the discharge for the 1978 financial year (Doc. 1-150/80), paragraph 7 demands that '...henceforth, the Commission acts in a far more positive way in regard to the amendments effected by Parliament to the budget;'

The Irmer resolution on the 1979 discharge (OJ L 224, 10 August 1981) also refers, in paragraph 14, to the special significance of sectors rated by Parliament as particularly important by virtue of its budget amendments.

Owing to the way the 1980 budget came about and the small amounts added by Parliament's amendments, this problem did not play any great part in the discharge process.

During the debate on the oral question by Mr Notenboom concerning the implementation of the 1981 budget, Mr Schön referred to the legal nature of the budget and asked whether it was possible to accept the Commission's constant protestations that the Council first had to create the necessary legal basis, seeing it was Parliament that in fact adopted the final budget. Mrs Scrivener, too, pointed out that an increase in appropriations

passed by Parliament at the first reading and left unchanged by the Council had to be implemented, because this represented a decision by the budgetary authority which had to be respected by the Commission. In this debate, which took place on 13 October 1981, similar views were expressed by Mr Irmer, who stressed that Parliament could not accept the non-implementation of its amendments.

The controversy over the amount to be used as a basis for assessing the implementation of amendments by Parliament is a familiar one. Further discussion on this point is unnecessary for the simple reason that when stating the amount of the increase Parliament also stipulated the amount to be implemented - in absolute terms. Moreover, the question as to whether the assessment of the implementation of Parliament's amendments should be based on commitments or payments was discussed at length at the time of the 1977 discharge (Aigner report) and settled in favour of the latter approach. Accordingly, payments should be used as a basis since only they have an economically measurable impact, whereas commitments represent an internal accounting procedure. In addition, the delaying of payments reduces their economic effectiveness on account of inflation. Commitments also need not result in payments in all cases.

Failure to implement Parliament's amendments - the amounts involved

In the procedure leading to the adoption of the budget, Parliament inserted appropriations totalling 545.52 m ECU by way of 33 amendments.

Of the non-differentiated appropriations, amounting to 66.21 m ECU, 404,143 ECU were implemented, i.e., 0.6%.

Parliament added 189.21 m ECU in the form of payment appropriations, of which 140.23 m ECU were implemented, i.e., 74.1%.

292.1 m ECU were added in the form of commitment appropriations, of which 153.02 m ECU were implemented, i.e., 52.4%.

The 33 amendments, including the amendment for the ECSC amounting to 62 m, were implemented as follows, in order of rate of utilization:

Implementation as percentage	Number
0	20
0 - 10	1
10 - 25	2
25 - 50	1
50 - 75	1
75 - 90	2
90 - 100	6
	33

In its resolution of 6 November 1980, Parliament made its priorities unmistakably clear. These concentrated on the areas of energy and research policy, regional policy and social policy. The information contained in the tables attached to this document is essentially as follows:

Individual sectors

A simple examination of the figures for the degree of implementation with respect to amendments made by Parliament shows that there were a number of cases where amendments were not implemented at all or only to a very limited extent. For non-differentiated appropriations, these involved the following budget lines:

- 3071 Small & medium-sized undertakings
- 327 Energy balance sheets
- 3520 Health protection
- 3704 Telematics
- 3760 Industrial guidelines
- 3780 Transport studies
- 3921 Preparation of young people for their working careers
- 540 ECSC social measures
- 590 Disaster aid
- 9261 Quality control
- 948 Evaluation of development aid

967 Cooperation with the Arab countries

Bearing in mind the particular difficulties that affected the utilization of appropriations and also the small amounts involved in Parliament's amendments compared with total appropriations, the following budget lines may be singled out for criticism:

327 Energy balance sheets
3520 Health protection
3760 Industrial guidelines
9261 Quality control

Owing to the nature of the projects to be funded in the other cases (partly studies), the largely complete commitment of the appropriations appears to have done adequate justice to Parliaments's political intentions.

As for differentiated appropriations, the implementation of Parliament's amendments with respect to commitments is inadequate in the following budget lines:

3240 Energy saving programme
3241 Development of new energy resources
5100 Employment in certain regions
5102 Employment in certain economic sectors
511 Measures for handicapped persons
560 Regional Fund 'non quota' section
930 Cooperation with non-associated countries

- (a) A particularly serious omission is the failure to implement commitment appropriations inserted by Parliament in budget line 3240, for this had absolute priority in the resolution of 6 November 1980. 14 m of the 24 m ECU allocated to this line came from an amendment by Parliament. The Commission transferred 4 m from this amount. The 19 m ECU (approx.) carried over from the previous year thus meant that about 39.5 m ECU were available, of which the Commission managed to utilize only 17.3 m ECU, so that not even a fraction of the appropriations inserted by Parliament was spent. The Council was largely to blame here, since it did not lift the ceilings incorporated in the regulations governing the utilization of the appropriations even though the Commission submitted an application in good time.

Similar considerations apply to item 3241 (development of new energy resources), where 43 m ECU of the 59 m ECU allocated to this budget line came from amendments by Parliament. The Commission transferred about 4 m from this amount and could only spend 17 m of the total 62 m ECU available.

Given the extremely great importance attached by Parliament to the Community's social policy, it is all the more regrettable that Parliament's attempt to point the way forward by adding 27 m ECU to budgetary line 5100 was completely ignored in the administration of appropriations. This item, together with item 5102, illustrates the importance of close cooperation between the Commission and the Member States in quickly reutilizing appropriations released by the latter, since, as a result of releases, the appropriations available under these budgetary lines during the financial year substantially exceeded the original appropriations.

A particularly spectacular example of the failure to implement Parliament's amendments is Article 560 (non-quota section of the Regional Fund). 34 m ECU were transferred from this article, while only about 41 m of the final appropriations available (amounting to 101 m ECU) were in fact spent, with the result that the commitment target of 77 m ECU (including 7 m from a Parliament amendment) was completely missed.

With regard to Article 930 (cooperation with non-associated countries), it should be noted that Parliament's contribution to these appropriations was a third, only a third of which however was utilized.

(b) As regards payment appropriations, the following budget items are particularly striking instances of non-implementation:

- 3241 Development of new energy resources
- 5011 Employment of young people
- 5100 Employment in certain regions
- 560 Regional Fund (non-quota section)

In item 3241, almost half the appropriations were inserted by Parliament (9.5 m out of 26.5 m). The Commission transferred almost 3 m from this item and did not spend a single ECU.

Almost the same amount was transferred from item 5011 as was inserted by Parliament (9.6 m), so, not surprisingly, only 5.4% of Parliament's amendment could in fact be implemented.

The same happened to item 5100, except, in this instance, not a single ECU was spent of the 19.2 m inserted by Parliament's amendment.

No payment was made either from the appropriations under the non-quota section of the Regional Fund, half of which were inserted by Parliament.

Conclusion

A concluding review of the implementation of amendments made by Parliament shows that the utilization rate for the policies given priority by Parliament in the drafting of the budget was frequently zero or totally inadequate.

Table I : Non-differentiated appropriations

Budget line	Initial appropriations	Part due to Parliament's amendments	Changes due to		Final appropriations for financial year	Utilization (payments)	Implementation of Parliament's amendments	
			Transfers within chapters	Amending and supplementary budgets and transfers between chapters			Absolute value	in %
3071 European organizations of small and medium-sized undertakings	220,000	120,000	-	-	220,000	50,000	0	0
327 Energy balance sheets	1,000,000	300,000	+ 1,800,000	-	2,800,000	297,475	0	0
3520 Health protection	1,440,000	240,000	-	-	1,440,000	454,089	0	0
3611 Assessment and utilization of research results	200,000	200,000	+ 250,000	-	450,000	129,577	129,577	64.8
3704 Telematics	1,000,000	1,000,000	-	-	1,000,000	143,312	143,312	14.3
3760 Industrial guidelines	450,000	50,000	- 21,000	-	429,000	118,439	0	0
3780 Transport studies	500,000	500,000	-	-	500,000	131,254	131,254	26.3
3921 Preparation of young people for their working careers	4,700,000	100,000	-	-	4,700,000	1,890,231	0	0
540 ECSC social measures	p.m.	p.m.	-	62,000,000	62,000,000	0	0	0
590 Disaster aid	21,000,000	1,000,000	-	-	21,000,000	18,500,000	0	0
9261 Quality control	600,000	100,000	-	-	600,000	62,752	0	0
948 Evaluation of development aid	650,000	100,000	-	-	650,000	375,967	0	0
967 Cooperation with the	1,000,000	500,000	-	-	1,000,000	0	0	0

Table I.a: Non-differentiated appropriations

Budget line	Initial appropriations	Changes due to			Final appropriations for financial year	Utilization (payments)	Implementation of Parliament's amendments	
		Part due to Parliament's amendments	Transfers within chapters	Amending and supplementary budgets and transfers between chapters			Absolute value	in %
3071 European organizations of small and medium-sized undertakings	220,000	120,000	-	-	220,000	220,000	120,000	100
327 Energy balance sheets	1,000,000	300,000	+ 1,800,000	-	2,800,000	1,899,369	300,000	100
3520 Health protection	1,440,000	240,000	-	-	1,440,000	1,197,003	0	0
3611 Assessment and utilization of research results	200,000	200,000	+ 250,000	-	450,000	435,390	200,000	100
3704 Telematics	1,000,000	1,000,000	-	-	1,000,000	967,777	967,777	96.8
3760 Industrial guidelines	450,000	50,000	- 21,000	-	429,000	418,510	18,510	37.0
3780 Transport studies	500,000	500,000	-	-	500,000	498,109	498,109	99.6
3921 Preparation of young people for their working careers	4,700,000	100,000	-	-	4,700,000	4,695,054	95,054	95.1
540 ECSC social measures	p.m.	p.m.	-	62,000,000	62,000,000	0	0	0
590 Disaster aid	21,000,000	1,000,000	-	-	21,000,000	18,500,000	0	0
9261 Quality control	600,000	100,000	-	-	600,000	206,000	0	0
948 Evaluation of development aid	650,000	100,000	-	-	650,000	647,529	97,529	97.5
967 Cooperation with the Ara. countries	1,000,000	500,000	-	-	1,000,000	9,045	0	0

Table II : Differentiated appropriations, payment appropriations
(commitment appropriations)

Budget line	Initial appropriations	Changes due to			Final appropriations for financial year	Utilization (payments)	Implementation of Parliament's amendments	
		Part due to Parliament's amendments	Transfers within chapters	Amending and supplementary budgets and transfers between chapters			Absolute value	in %
3030 Pilot projects, housing for handicapped workers	780,000 (800,000)	+ 110,000 (+ 100,000)	- (-)	- (-)	780,000 (891,722)	411,321 (891,712)	0 (99,990)	0 (100)
3200 Technological development	p.m. (23,000,000)	- (+ 5,000,000)	- (+ 4,000,000)	- (-)	(29,153,494)	(24,463,447)	(4,309,953)	(86.2)
3240 Energy saving programme	3,000,000 (24,000,000)	- (+14,000,000)	- (- 4,000,000)	- (-)	(39,477,827)	(17,288,772)	(0)	(0)
3241 Development of new energy resources	26,500,000 (59,000,000)	+ 9,500,000 (+43,000,000)	- 2,880,000 (- 4,080,000)	- (-)	23,620,000 (62,235,987)	0 - (16,911,881)	0 (0)	0 (0)
5010 Vocational training for young people	172,200,000 (264,000,000)	+22,200,000 (+ 4,000,000)	- 800,000 (- 700,000)	- (-)	171,400,000 (300,281,140)	171,156,537 (269,790,984)	21,156,537 (0)	95.3 (0)
5011 Employment of young people	69,600,000 (108,000,000)	+ 9,600,000 (-)	- 9,000,000	-	60,600,000	60,514,683	514,683	5.4
5100 Employment in certain regions	269,200,000 (395,000,000)	+19,200,000 (+27,000,000)	- 19,000,000 (-)	- (-)	254,200,000 (466,222,990)	185,001,768 (416,278,743)	0 (0)	0 (0)
5102 Employment in certain economic sectors	14,600,000 (25,000,000)	+ 4,600,000 (+ 4,000,000)	- (-)	- (-)	14,600,000 (35,046,971)	14,563,579 (31,872,538)	4,563,579 (825,567)	99.2 (20,6)

Budget line	Initial appropriations	Changes due to			Final appropriations for financial year	Utilization (payments)	Implementation of Parliament's amendments	
		Part due to Parliament's amendments	Transfers within chapters	Amending and supplementary budgets and transfers between chapters			Absolute value	in %
511 Measures for handicapped persons	44,800,000 (90,000,000)	+ 4,800,000 (+ 5,000,000)	15,000,000 (-)	- (- 334,500)	59,800,000 (94,473,761)	59,788,662 (88,889,173)	4,800,000 (0)	100 (0)
550 Regional Fund	599,200,000 (1,463,000,000)	+ 109,200,000 (+ 133,000,000)	- (-)	+200,000,000 (+ 33,972,339)	799,200,000 (1,615,166,904)	783,347,200 (1,596,188,131)	109,200,000 ⁽¹⁾ (133,000,000) ⁽²⁾	100 (100)
560 Regional Fund 'non quota' section	20,000,000 (77,000,000)	+ 10,000,000 (+ 7,000,000)	- (-)	- (- 33,972,339)	20,000,000 (101,227,661)	0 (40,588,350)	0 (0)	0 (0)
930 Cooperation with non-associated countries	23,000,000 (150,000,000)	- (+ 50,000,000)	- (-)	- (+ 500,000)	23,000,000 (189,408,326)	0 (153,696,996)	0 (14,788,670) ⁽³⁾	0 (29.6)

(1) Taking into account the amending budget, only 293.3 m implemented out of 309.2 m ECU, i.e., 94.9%

(2) Taking into account the transfer of approx. 33.9 m ECU, only 145.9 m implemented out of 166.9 m ECU, i.e., 73.5%

(3) Taking into account the transfer, only 14.3 m implemented out of 50.5 m ECU, i.e., 29.3%

COMMITTEE ON BUDGETARY CONTROL

WORKING DOCUMENT

on

the use of appropriations in the energy, research, environment,
information, industry, social fund and regional fund sectors

Draftsman: Mr K. SCHÖN

Use of appropriations in the energy, research, environment, information and industry sectors

I. Commitment appropriations

(in 1 000 ECU)

Budget chapter	final appropriation for financial year	of which carried over	appropriation commitments in financial year 1981		carried forward	cancelled
			numerical	%		
32 Energy	133 565	./ 2 880	61 191	48,8	72 203	171
33 Research projects, direct and indirect actions	427 250	+ 12 135	336 768	78,8	57 073	13 409
34 Safety monitoring	1 700		1 600	94,1	100	-
35 Environment	9 400		8 900	94,7	500	-
36 Information	5 631		5 258	93,4	364	8
37 Industry	11 601	+ 1 500	4 589	39,6	5 512	1 500
39 Other	10 200		10 100	99,0	100	-
TOTAL	599 347		428 406	71,5	135 852	15 088

Source: 1981 revenue and expenditure accounts - Court of Auditors report for 1981, page 71

It should be noted that transfers of appropriations which are substantial in some cases reduce the original appropriations for the financial year against individual items; this is not immediately apparent because the final balance has been drawn, e.g., about 4 m ECU against Item 3240 and Item 3241 'energy savings and new sources of energy'. The same applies to Chapter 33 where an amount running into several millions was entered or deleted by transfer.

Use of appropriations in the energy, research, environment, information and industry sectors

II. Payment appropriations

(in 1 000 ECU)

Budget chapter	final appropriations for financial year	payments in financial year 1981		appropriations carried forward	appropriations cancelled
		numerical	%		
32 Energy	29 135	-	-	29 135	-
33 Research projects, direct and indirect actions	262 129	206 541	78,8	49 536	6 053
34 Safety monitoring	2 200	1 400	63,6	800	-
35 Environment	13 800	8 400	60,9	5 400	-
36 Information	4 087	2 849	69,7	1 238	-
37 Industry	6 627	224	3,4	6 403	-
39 Other	16 100	9 900	61,5	6 200	-
TOTAL	334 078	229 314	68,6	98 712	6 053

Source: 1981 revenue and expenditure accounts

Court of Auditors report for 1981, page 71

Use of appropriations in the European Social Fund sector in the financial year 1981

I. Commitment appropriations

(in m ECU)

Budget line	final appropriation for financial year	of which appropriations released and reused	appropriations committed in financial year		remaining commitment appropriations including amounts carried forward to 1981
			numerical	%	
500 Agriculture and textile industry	24,8	4,4	20,8	83,9	4,1
5010 Professional training - young	300,3	26,5	269,8	89,8	30,5
5011 Employment - young	118,2	7,0	104,0	88,0	14,2
503 Migrant workers	31,1	0,1	30,6	98,4	0,5
505 Women	25,5	3,4	22,6	88,6	2,9
Chapter 50 TOTAL	500,0	41,4	447,8	89,6	52,2
510 Improvement of employment situation	510,4	55,1	456,3	89,4	54,1
511 Handicapped	94,5	3,2	88,9	94,1	5,6
Chapter 51 TOTAL	604,9	58,3	545,1	90,1	59,7
Chapter 52 preliminary studies and pilot projects	3,5	-	3,2	91,4	0,3
TOTAL	1 108,4	99,8	996,2	89,9	112,2

¹ Including exchange rate fluctuations

Source: Annual report of Court of Auditors for financial year 1981, OJ C 344 of 31.12.1982, page 55

Use of appropriations in European Social Fund sector in financial year 1981

II. Payment appropriations

(in m ECU)

Budget line	final appropriation for financial year	payments made		appropriations transferred to 1982
		numerical	in %	
500 Agriculture and textile industry	13,0	12,5	96,2	0,5
5010 Professional training - young	171,4	171,2	99,9	0,2
5011 Employment - young	60,6	60,5	99,8	0,1
502 Handicapped	1,0	0,3	30,0	0,7
503 Migrant workers	35,0	34,8	99,4	0,2
505 Women	5,8	5,8	100,0	-
Chapter 50 TOTAL	286,8	285,1	99,4	1,8
510 Improvement of employment situation	271,8	202,6	74,5	69,2
511 Handicapped	59,8	59,8	100,0	-
Chapter 51 TOTAL	331,6	262,3	79,1	69,3
Chapter 52 preliminary studies and pilot projects	2,0	-	-	2,0
TOTAL	620,4	547,4	88,2	73,0

Source: Annual report of Court of Auditors for financial year 1981, OJ C 344, 31.12.1982, page 55

Use of appropriations in regional fund sector (m ECU)

I. Commitment appropriations

Budget chapter	final appropriations for financial year	appropriations committed in 1981	
		numerical	%
Quota section (Chap. 55)	1 615,2	1 596,2	98,8
Non-quota section (Chap. 56)	101,2	40,6	40,1
TOTAL	1 716,4	1 636,8	95,4

II. Payment appropriations

Budget chapter	final appropriations for financial year (1)	appropriations committed in 1981	
		numerical	%
Quota section (Chap. 55)	807,2	791,4	98,0
Non-quota section (Chap. 56)	27,3	7,3	26,7
TOTAL	834,5	798,7	95,7

¹ Including fluctuations in ECU parity

Source: Report of Court of Auditors for 1981, pages 61 and 63

Use in financial year 1981 of payment appropriations brought forward from financial year 1980

(in 1 000 ECU)

Chapter	appropriations brought forward from 1980	payments made		appropriations cancelled
		numerical	%	
32 Energy	72 860	61 201	84,0	11 659
33 Research	110 297	89 009	80,7	7 654
36 Information	2 195	2 195	100	-
37 Industry	2 455	2 455	100	-
50 Social fund (Art. 4)	49 719	49 719	100	-
51 Social fund (Art. 5)	147 009	147 009	100	-
55 Regional fund	4 721	8 062	100	-
56 Regional fund, specific actions	10 625	(inc. transfer 3342) 7 283	100	-

Source: Revenue and expenditure accounts 1981