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EUROPEAN PARLIAMENT

# Working Documents

1981 - 1982

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14 September 1981

DOCUMENT 1-465/81

REPORT

drawn up on behalf of the Committee on Budgets

on/draft amending budget No. 1  
of the European Communities for the  
1981 financial year

(Doc. 1-432/81)

Rapporteur: Mr P. ADONNINO

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On 11 May 1981 the Commission adopted a preliminary draft amending budget No. 1 for 1981.

The preliminary draft was forwarded to the budgetary authority on 16 June 1981.

On 22 July 1981 a budgetary cooperation meeting took place between the Council and a Parliament delegation, with the active assistance of the Commission.

On 23 July 1981, the Council established the draft amending budget<sup>1</sup> and forwarded it officially to Parliament on 10 August 1981.

On 20 August 1981 the President of the European Parliament referred this draft budget to the Committee on Budgets as the committee responsible and invited any other interested committee to deliver an opinion.

The Committee on Budgets considered the attached report at its meeting of 7/8 September 1981 and adopted it with 16 votes in favour and 5 abstentions.

Present: Mr LANGE, chairman; Mr NOTENBOOM, 1st vice-chairman; Mr SPINELLI, 2nd vice-chairman; Mr ADONNINO, rapporteur; Mr AIGNER, Mr ANSQUER, Mr BALFE, Mr BAILLOT, Mr BALFOUR, Mr BARBI, Mrs LOSERUP, Mr CLUSKEY, Mr COLLA, Mr DANKERT, Mr FICH, Mr GOUTHIER, Mrs HOFF, Mr KELLETT-BOWMAN, Mr JACKSON R., Mr LANGES, Mr ORLANDI, Mr SCHÖN Konrad, Mrs SCRIVENER and Mr SIMMONET.

The opinion of the Committee on Agriculture will be distributed separately.

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<sup>1</sup> On the same day, the Council established the draft budget for the 1982 financial year; the meeting of 22 July dealt with both draft budgets.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on draft amending budget no. 1 of the European Communities for 1981

The European Parliament

- having regard to preliminary draft amending budget no. 1 for 1981 (COM(81) 307 final),
- having regard to draft amending budget no. 1 for 1981 (Doc. 1-432/81) and the addendum and corrigendum attached thereto,
- having regard to the outcome of the meeting of 22 July 1981 between the Council and a Parliament delegation,
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 1-465/81),
- having regard to the adjustments that needed to be made to the original 1981 budget as adopted on 23 December 1980,

BUDGETARY PRINCIPLES TO BE RESPECTED

1. Confirms Parliament's constant concern
  - . to see that the Community has all the financial resources necessary to carry through and intensify policies embarked upon and to launch new ones, particularly in structural areas,
  - . to encourage a necessary balance between the financial volume of the programmes implemented (commitment appropriations) and the financial resources actually available (payment appropriations) to meet in due time the commitments entered into in previous years or authorized for the current financial year;
2. Points out that these two requirements motivated its decisions on supplementary budget no. 2 for 1980 and on the 1981 budget and declares that they will continue to inspire its position on the amending budget for 1981 as well as on the 1982 budget;
3. Expresses the wish that the budgetary estimates entered by the Commission in its preliminary draft budgets be drawn up with maximum precision and rigour;

4. Considers that the amending budget for 1981 will make it possible to begin correcting some of the imbalance between on the one hand agricultural expenditure and structural and cooperation expenditure, and between compulsory and non-compulsory expenditure on the other;

#### REDUCTION IN AGRICULTURAL EXPENDITURE

5. Takes note of the reduction in the agricultural expenditure initially entered for 1981, which is due both to favourable trends in the short-term economic situation and to an improvement in the Commission's management;
6. Notes that this development confirms its standpoint - reflected in the 1981 budget by the decision to place part of the EAGGF/Guarantee appropriations in reserve - as to the need for and possibility of achieving savings by tighter management of the agricultural instruments in force;
7. Urges the Commission to continue its efforts in this field pending the necessary adaptation of the regulations governing the various common organizations of the agricultural markets, and calls on it to inform the Assembly without delay of any opportunity to achieve additional savings in the course of the present financial year;

#### INCREASE IN CERTAIN PAYMENT APPROPRIATIONS

8. Believes that the payment appropriations thus becoming available should be used first and foremost to finance in 1981 commitments entered into previously and now falling due for payment in the Regional Fund, EAGGF/Guidance, non-associated developing countries and food aid sectors;
9. Takes note of the Council's declaration to the effect that additional payment appropriations will, if necessary, be made available either by way of transfer; if that were to prove impossible, hopes that new appropriations would be made available by other means;
10. Points out that it has been possible to cover the particularly urgent requirements for payment appropriations in the Social Fund sector from the beginning of the financial year through the appropriations approved on the occasion of supplementary budget no. 2 for 1980;
11. Notes that the moderation it showed in the initial vote of payment appropriations for 1981 made it possible to leave a sufficient margin to finance, at least partially, needs for payment appropriations that have emerged since the beginning of the financial year;

#### COMMITMENT APPROPRIATIONS

12. Notes that the appropriations made available by the reduction in the agricultural expenditure estimates could also make it possible to increase the commitment appropriations entered for 1981, which the Commission and Parliament had deemed to be inadequate;
13. Believes, however, like the Commission, that in the present circumstances, and in particular since the 1981 financial year is already well advanced, priority should be given to adjusting the payment appropriations;

#### FINANCING OF ECSC ACTIVITIES

14. Takes note of the Council's decision to place at the ECSC's disposal, by direct contributions from the Member States a first instalment of appropriations amounting to 50 m ECU to finance social measures in support of iron and steel industry restructuring;
15. Regrets, however, both the lateness of this decision and hopes that the planned second instalment of appropriations will be paid as quickly as possible in the manner called for by Parliament and the Commission (subsidies from the EEC budget to the ECSC budget);
16. Accepts, on the other hand, the additional appropriations in the EEC budget to cover the balance of the financing of steel production monitoring arrangements, but recommends that the contracts with experts should be properly renegotiated, as promised by the Commission; notes that the appropriations initially taken from other budget headings to finance these measures have now been fully restored;

#### INCLUSION OF THE BALANCE FROM THE 1980 FINANCIAL YEAR

17. Points out that the inclusion - taking the form of a reduction in the VAT rate for 1981 - of the balance from the 1980 financial year poses both a technical and a political problem since the actual VAT assessment basis for 1980 is not yet known and not all the revenue payments due as a result of supplementary budget no. 2 for 1980 have yet been made;

#### REGULARIZATION OF REVENUE PAYMENTS FOR 1980 AND 1981

18. Notes that by virtue of the adoption of amending budget No. 1/1981 the reservations made by three Member States (France, Germany and Belgium) with regard to their payments in respect of supplementary budget no. 2/1980 and/or the initial 1981 budget cease to apply and that these states are therefore now honouring their commitments in respect of these two budgets;

ADOPTION OF AMENDING BUDGET No. 1 FOR 1981

19. Welcomes, having regard to the remarks set out above and to the fact that this budget takes account of some of the principles advanced by Parliament on a number of occasions and although it regrets that it has not been possible to implement other important political recommendations it expressed during the adoption procedure of the initial 1981 budget, the adjustments thus made to the budget of the Communities for 1981;
20. Takes the view that it is possible, thanks to the good cooperation between the two arms of the budgetary authority and with the active assistance of the Commission, to conclude the procedure for the adoption of amending budget no. 1 for 1981 at its first reading;

JOINT DECLARATION BY THE INSTITUTIONS ON THE BUDGETARY PROCEDURE

21. Notes that the budgetary principles set out in the draft joint declaration proposed by the Council and approved by the Commission meet with the full agreement of Parliament, which has always defended them and will continue to do so;

CONTINUATION OF INTERINSTITUTIONAL DIALOGUE

22. Considers, however, that the improvement of interinstitutional cooperation in the budgetary field, which Parliament has demanded on several occasions, implies that a number of other points that Parliament has already brought to the attention of the Council and Commission should be clarified; therefore expects the Council to accept its request that the inter-institutional dialogue be continued on the points specified in its resolution of 10 April 1981 and on any other matter the Council might wish to raise.



EXPLANATORY STATEMENT

The present explanatory statement contains a summary of the provisions of the preliminary<sup>1</sup> and draft amending budgets no. 1 for 1981, together with the Committee on Budgets' assessment of them.

I. PRELIMINARY DRAFT AMENDING BUDGET NO. 1 FOR 1981

1. This preliminary draft amending budget contains a variety of complex measures.

The main purpose of the amending budget is to reduce the appropriations earmarked for the Guarantee Section of the EAGGF and to use a proportion of the resulting surplus to strengthen other sectors concerned with structural expenditure (ERDF and the EAGGF Guidance Section) and cooperation aid (non-associated developing countries, food aid). Surplus appropriations that are not re-used (notably commitment appropriations) are cancelled.

2. The Commission also proposes a readjustment of revenue.

The overall balance resulting from these proposals is demonstrated by the following table.

	Commitment appropriations	(m ECU)	Payment appropriations
<u>Reductions</u>			
	-598		-598
EAGGF	-521		-521
United Kingdom	- 77		- 77
<u>Increases</u>		+261	+570
ERDF	-		+250
EAGGF/Guidance	+ 55		+ 55
Non-assoc. dev. countries.	-		+ 60
Food aid	+131		+131
United Kingdom	+ 50		+ 50
Miscellaneous	+ 25		+ 24
<u>Cancellations</u>		-337	- 28

These various elements must now be considered separately.

<sup>1</sup> see working document PE 73.760

1. Reductions in appropriations

3. The net reduction proposed by the Commission is 598 m ECU. This reduction relates to undifferentiated appropriations and consequently involves both appropriations for commitment and appropriations for payment. 521 m ECU of the 598 m ECU in question are deducted from EAGGF Guarantee Section expenditure and the remaining 77 m ECU from the appropriations set aside to finance measures concerning the United Kingdom.

(a) EAGGF Guarantee Section

4. The Commission proposes a major readjustment of the appropriations originally earmarked in the 1981 budget for the various common market organizations, involving reductions amounting to 1,015 m ECU and increases amounting to 494 m ECU.

5. The reductions are mainly justified by favourable trends in the short-term economic situation and by the measures adopted by the Commission to achieve savings in the management of the market mechanisms.

6. The increases are necessitated both by the impact of the 1981/82 farm price review and by the new measures decided on by the Council since the adoption of the 1981 budget.

Assessment: it should be noted that about 700 m ECU of the total reduction proposed by the Commission (approximately 1,000 m ECU) are in fact accounted for by various mechanical factors such as adjustments to the compensatory amounts and the cancellation of the appropriations placed in reserve by Parliament. This gives a more accurate indication of the real extent of the 'economies' envisaged.

Nevertheless, the total amount by which it is proposed to reduce the appropriations set aside for the EAGGF Guarantee Section is a step in the right direction, which more than vindicates the position adopted by Parliament when the initial budget was adopted, both as regards the total amount of the appropriations needed and as regards the possibility of economizing on management costs.

Without discussing the Commission's proposed adjustments in detail, we must nonetheless draw attention to the somewhat disturbing increase in the appropriations proposed for the beef and veal and the oils and fats sectors; at the same time, the reduction proposed in the milk sector is very small.

As a result of the cuts proposed the total endowment of the EAGGF Guarantee Section for 1981 would be 4.1% less than the original estimate (down from 12,870 to 12,349 m ECU). Compared with 1980 the increase in price support expenditure would be reduced from 12% to 7.3%, a figure which compares very favourably with the rate of increase recorded in previous years.

(b) Supplementary measures to assist the United Kingdom

7. The Commission proposes that the appropriations in question be reduced to take account of the advances made in December 1980 on the sums due to the United Kingdom in the 1981 financial year. An amount equivalent to these advances (77 m ECU) can therefore be subtracted from the 1981 budget.

2. Increases in appropriations

8. The Commission proposes that part of the 598 m ECU in question should be used to increase the initial commitment and payment appropriations (by 261 m ECU and 570 m ECU respectively) and that the unused remainder should be cancelled.

9. The largest increases would be for 'structural' measures and development aid. Expenditure on supplementary measures to assist the United Kingdom and on various other items would also be increased.

(a) 'Structural' expenditure

The Commission proposes an overall increase of 55 m ECU in commitments and 305 m ECU in payments, allocated as follows:

- Regional Fund (+250 m ECU in payment appropriations): ERDF payment appropriations would thus be increased from 600 to 850 m ECU. This increase is necessitated by the acceleration in the rate of payments and, hence, by the obligation on the Commission to cope as quickly as possible with the requests for payment submitted by the Member States.

Assessment: it should be noted that the Commission's original estimate of the payment appropriations needed for 1981 was 1,000 m ECU; despite this, it requested only 750 m ECU in the preliminary draft, an amount which was subsequently reduced to 600 m ECU by the Council. Parliament strongly supported the Commission's position during the first reading of the budget.

The fact that payments from the Regional Fund have been speeded up is to be welcomed. However, it cannot be stressed too strongly how essential it is to ensure that the Commission is in a position to deal promptly with all requests for payment submitted to it. This is a crucial test of its political credibility. Moreover, from the point of view of budgetary orthodoxy, it is essential that the principle of the annuality of the budget be respected and, hence, that a backlog of payments be avoided.

- EAGGF Guidance Section (+55 m ECU in undifferentiated appropriations, i.e. both commitments and payments): in view of the requests for refunds received or about to be received by the Commission, an additional appropriation of 55 m ECU would appear to be necessary to enable the Commission to make the requisite payments in good time.

Assessment: the Commission and Parliament originally sought an entry of 490 m ECU in payment appropriations for the EAGGF Guidance Section, but the Council insisted on a ceiling of 468 m ECU. It now seems that the Commission's and Parliament's estimate was itself insufficient. As in the case of the Regional Fund, it is essential to ensure that the Commission is able to meet its obligations from this year onwards.

(b) Development aid

The Commission proposes an increase of 186 m ECU in commitments and 496 m ECU in payments, allocated as follows:

- food aid (+ 127 m ECU in undifferentiated appropriations, i.e. commitments and payments): this increase is necessitated by price movements on both the world and the Community markets. No increase in the quantity of products delivered is involved, since this is fixed by the Council, but simply an adjustment of the appropriations needed to finance the same quantity of aid. It should be noted, however, that out of the extra 127 m ECU proposed, 52 m ECU can be met from the economies made in the financing of export refunds for foodstuffs (EAGGF Guarantee Section).

Assessment: the Commission is here concerned with a technical adjustment rather than with an expansion of activity in the food aid sector. Unlike the other 'voluntary' policies pursued by the Community, the budget merely reflects - in financial terms -

the decisions taken by the Council as to the quantities and the nature of the products intended for food aid.

- non-associated developing countries (+60 m ECU in payment appropriations): the Commission notes that since January there has been an acceleration in requests for payment connected with programmes undertaken in previous years. It takes the view that the amount of the appropriations currently available will prevent it from satisfying all but a fraction of these requests.

Assessment: the Commission and Parliament sought an entry of 65m ECU in the initial budget. The Council agreed to 23 m ECU only. The Commission proposes to go beyond its original estimates and to allocate 83 m ECU to the appropriate budget heading. As in the case of the Regional Fund - although here the problem assumes even greater urgency, since impoverished third countries are involved - it is essential to ensure that the Commission is able to honour its commitments.

(c) Supplementary measures to assist the United Kingdom

10. Here the Commission proposes an increase of 50 m ECU in undifferentiated appropriations, i.e. payments and commitments. As was noted above, regularization of the advances paid to the United Kingdom in 1980 has made it possible to reduce the relevant appropriations for 1981 by 77 m ECU. However, the Commission proposes that the 1981 budget should include an additional advance of 50 m ECU for the United Kingdom for 1982, which would be added to the 100 m ECU already entered in this year's budget (Chapter 100). The United Kingdom would thus receive a total advance of 150 m ECU; the advance it obtained in 1980 was 200 m ECU.

Assessment: the power to grant such an advance is discretionary and depends on a decision by the Council acting by a qualified majority. The draftsman considers that the political desirability of altering the amount of the advances laid down should be carefully examined when, within the framework of the 'mandate' conferred on the Commission, all aspects of the problem posed by the 'unacceptable' situation of the United Kingdom come up for discussion.

(d) Miscellaneous measures

11. Here, approximately 25 m ECU in commitments and payments are proposed. The Commission also proposes a whole range of measures with or without financial implications, a detailed examination of which is unnecessary at this stage. These measures may be briefly described as follows:

- replenishment of the resources needed to finance emergency food aid for China and the Afghan refugees and for cooperation with UNRWA;
- replenishment of the resources needed to cover financial aid to Portugal and EMS interest rate subsidies;
- changes in the presentation and financing of the environment programme;
- setting aside resources to finance a new scientific and technical information and documentation programme;
- the correction of clerical errors in the Commission's lists of posts;
- adjustment of the refunds due to the United Kingdom and Greece consequent upon their non-participation in the EMS interest rate subsidies scheme;
- technical adjustment of the amounts of the refunds payable to the Member States (cost of collecting own resources) and to Greece.

12. The Commission also proposes 4 measures which might call for closer examination and which concern:

- the operational budget of the Court of Justice: the adjustment proposed here must be considered in the light of the recently authorized carry-overs and transfers of appropriations;
- monitoring arrangements in the iron and steel industry: the Commission proposes changes in the nomenclature and an increase in appropriations (11 m ECU). This proposal must also be assessed in the light of the transfers recently authorized by Parliament so that a precise estimate can be obtained of the overall cost of the measures envisaged;
- security measures: the Commission proposes an increase of 1.75 m ECU in the appropriations set aside for the equipment needed to guarantee the security of its staff and premises. This proposal would seem to be justified by the delays in the implementation of the relevant programme for which budgetary restrictions have been largely responsible. It would perhaps be desirable, however, to consider how far interinstitutional collaboration could be of assistance in this matter;
- the use of the budget to guarantee EIB transactions: the Commission proposes that certain entries in the 'Remarks' column of the budget should be modified with a view to extending the budget guarantee to EIB loans to Spain and Portugal. This proposal raises a question of principle, namely that of collaboration between the Bank and Community bodies as such; this is a matter that needs to be looked at closely.

### 3. Adjustment of revenue

13. There are two reasons for altering the revenue section of the initial budget for 1981:

- (a) the proposed reduction of payment appropriations (-28 m ECU), which implies a reduction in the amount of revenue to be collected;
- (b) the inclusion in the 1981 budget of the 1980 balance, which would increase the resources available for the 1981 financial year by 82.5 m ECU.

14. The net result would be to reduce the amount of revenue to be collected in 1981 by 110 m ECU; 108.8 m ECU of this amount would be deducted from the revenue obtained from VAT, the rate of which could then be lowered from 0.89% to 0.88%.

Assessment: early inclusion of the 1980 balance in the 1981 budget calls for some discussion. What the Commission proposes is a simple measure of expediency, which is in no way urgent. It is therefore necessary to examine the technical and political disadvantages of such a proposal. From the technical angle, it would perhaps be desirable for the balance to be entered in the 1981 budget only after the Member States' VAT payments had been adjusted in the autumn. From the political angle, the entry of the 1980 balance would probably create problems so long as no solution had been found to the dispute over the payment of the resources required by supplementary budget No. 2.

### 4. Final comments

15. The Committee on Budgets will have to give careful consideration to each of the many points raised by the preliminary draft budget before turning its attention to the draft budget to be established by the Council. At the present stage - and in the light of the information available to him - the draftsman notes that the Commission's proposals contain some positive elements, but also a number of weaknesses.

#### (a) Positive elements

- the preliminary draft amending budget should enable a balance to be restored in two areas: between compulsory expenditure and non-compulsory expenditure on the one hand, and between agricultural expenditure and certain other sectors such as the Regional Fund and cooperation on the other;

- it ensures that the Commission will be able to honour its previous commitments; the Community's political credibility depends to a large extent on the 'credibility' of its financial resources: hence the importance of a budget whose resources are not disputed and which has sufficient appropriations to cover all commitments entered into;
- it will also ensure respect for the principle of the annuality of the budget by making it possible for the Commission to meet payment deadlines promptly and by preventing an unjustified strain from being placed on the budget for the following year;
- finally, it demonstrates the soundness of the views previously expressed by Parliament both on the amount of the appropriations to be set aside for the EAGGF Guarantee Section and on the amount of the appropriations needed for the Regional Fund, the EAGGF Guidance Section and aid for the non-associated developing countries.

(b) Weaknesses

- the Commission proposes that a large proportion (56%) of the commitment appropriations made available by reducing the resources of the EAGGF Guarantee Section should be cancelled. The acceptability of this proposal is open to question: the Commission could have proposed that all the appropriations made available should be fully utilized (notably for the ERDF, food aid, or even the energy and transport sectors, etc), without being obliged to increase the corresponding payment appropriations because of the late date on which these new appropriations would have been committed;
- the Commission does not consider it necessary for a proportion of the appropriations made available to be allocated to the budget heading for social measures in the iron and steel industry; it believes instead that these measures can be financed from transfers of Social Fund appropriations. The soundness of this approach is open to question; the direct entry in the amending budget of a satisfactory appropriation would seem more advisable;
- the terminology used by the Commission is also questionable: the document it has submitted has the appearance of being both an amending and a supplementary budget within the meaning of Article 1(5) of the Financial Regulation<sup>1</sup>.

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<sup>1</sup> '.... the Commission may submit preliminary draft amending budgets which do not alter the total amount of the annual budget.'



II. DRAFT AMENDING BUDGET No. 1 FOR 1981

16. By and large, the draft budget follows the lines proposed by the Commission in its preliminary draft, although it does contain some new elements that need looking at.

17. The budgetary cooperation meeting of 22 July between the Council and a Parliament delegation<sup>1</sup> led to the clarification of a number of points, in particular as regards the payment of arrears of own resources relating to supplementary budget no. 2 for 1980 and to the 1981 budget.

1. Comparison between the draft budget and preliminary draft amending budget no. 1 for 1981

The differences between these two documents are shown in the table below:

<u>Reductions in appropriations</u>	<u>Prelimin. draft budget</u>		<u>Draft budget</u>	
	Commitments	Payments	Commitments	Payments
EAGGF/Guarantee	- 521	- 521	- 521	- 521
Clearance of EAGGF/ Guarantee accounts (Article 792)	-	-	- 40	- 40
Mezzogiorno subsidies (Article	-	-	- 20	- 20
UK measures	- 77.08	- 77.08	- 77.08	- 77.08
UK and Greece compensation (EMS)	-	-	- 1.17	- 1.17
Greece Refunds	- 0.89	- 0.89	- 2.82	- 2.82
Total	598.97	598.97	662.07	662.07

<sup>1</sup> See minutes of this meeting (PE

Prelimin. draft budget

Draft budget

Increases in appropriations

	Commitments	Payments	Commitments	Payments
EAGGF/Guidance	+ 55	+ 55	+ 50	+ 50
ERDF	-	+ 250	-	+ 200
UK measures	+ 50	+ 50	+ 50	+ 50
Food aid	+ 131.16	+ 131.16	+ 100	+ 100
Non-assoc. dev. countries	-	60	-	44
UK and Greece compensation (EMS)	+ 2.12	+ 2.12	-	-
Financial protocol Portugal	+ 3.63	+ 3.63	+ 3.63	+ 3.63
EMS subsidies	+ 3.03	+ 3.03	+ 3.03	+ 3.03
Third 3-year plan	+ 1.9	+ 1	+ 1.9	+ 1
Monitoring in steel industry	+ 11	+ 11	+ 11	+ 11
Security measures	+ 1.75	+ 1.75	+ 1.75	+ 1.75
Repayments to Member States (10% of own resources)	+ 1.79	+ 1.79	-	-
Court of Justice	+ 0.46	+ 0.46	-	-
	<u>+ 261.84</u>	<u>+ 570.94</u>	<u>+ 221.31</u>	<u>+ 464.41</u>
	=====	=====	=====	=====

18. The net result of these reductions and increases, in relation to the original 1981 budget, is :

- a reduction in commitment appropriations of 440.76 m ECU
- a reduction in payment appropriations of 197.66 m ECU

19. As regards NCE<sup>\*\*</sup>, the net result is :

- an increase in commitment appropriations of 14.65 m ECU
- an increase in payment appropriations of 257.75 m ECU

20. The rate of increase in NCE<sup>\*\*</sup> for the 1981 financial year by comparison with 1981 thus changes :

- for commitment appropriations, from 11.8% to 12.18%
- for payment appropriations, from 3.7% to 13.8 %

21. This means that, with a maximum rate of increase in NCE for 1981 of 12.2%, the rate is exceeded in the case of payment payment appropriations only.

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\* in accordance with the Council's classification of CE and NCE.

22. As regards revenue, there is a reduction due to

- the inclusion of the 1980 balance	82.48 m ECU
- the reduction in payment appropriations	197.66 m ECU
	<hr/>
Total	280.14 m ECU

The VAT rate can therefore be adjusted from 0.89% to 0.866%

## 2. Comments

23. The changes made by the Council in preliminary draft amending budget no. 1 for 1981 appear to have been endorsed by the Commission.

24. However, these changes result in appreciable reductions in some additional payment appropriations originally entered by the Commission :

- EAGGF/Guidance	:	+ 50	instead of	+ 55
- ERDF	:	+200	"	+250
- Food aid	:	+100	"	+131
- Non-assoc. dev. countries	:	+ 44	"	+ 60

25. Nevertheless, it must be pointed out that the Council has declared its willingness to increase the ERDF and EAGGF/Guidance endowments in the course of 1981 by way of transfer, if that should prove necessary; a transfer is already envisaged in order to top up the allocation for non-associated developing countries; the reduction in the allocation for food aid should not affect either the tonnage of aid or the rate at which it is supplied (additional appropriations can be earmarked under the 1982 budget).

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26. The Committee on Budgets welcomes the position adopted by the Council and the declarations made by it, although it is concerned as to the possibility of finding in the 1981 budget an amount of 55 m ECU in payment appropriations available and capable of being transferred to the EAGGF/Guidance and ERDF headings.

27. It also notes that this draft amending budget has the effect of allocating to some particularly important items payment appropriations equal to or higher than those requested by the Commission and Parliament at the vote on the original 1981 budget. At the same time, it must be admitted that these increases are intended mainly to deal with new circumstances that have emerged since the adoption of the 1981 budget.

Payment appropriations

	1981 PDB and EP first reading	1981 budget	1981 draft amending budget
ERDF	770	619	819
EAGGF/Guidance	490/487	468	518
Non-assoc. dev. countries	74	27	71
Food aid	390/438	369	469

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3. Settlement of the dispute concerning supplementary budget no. 2 for 1980 and the 1981 budget

28. It will be recalled that three Member States challenged the legality of supplementary budget no. 2 for 1980 and of the 1981 budget as adopted by Parliament and subsequently paid over resources corresponding only to the draft budgets as accepted by the Council at their second reading.

29. One of these Member States brought the matter before the Court of Justice and the Commission took action against these States pursuant to Article 169 of the EEC Treaty.

30. At the meeting of 22 July 1981 between the Council and a Parliament delegation, the Member States concerned made a declaration in which they undertook to pay the arrears of own resources upon the adoption of the amending budget for 1981 (as proposed by the Council); the Parliament delegation welcomes this declaration.