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Report

drawn up on behalf of the Committee on Budgets

on the common position of the Council of the European Communities

(Doc. 468/78 and Doc. 541/78) on the proposal for a Regulation amending

Financial Regulation of 21 December 1977 applicable to the general budget of
the European Communities

Rapporteur: Mr M. SHAW

By letter of 22 November 1978, the President of the Council of the European Communities transmitted to the European Parliament a common position on the draft Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities; by letter of 12 December 1978, the President of the Council of the European Communities transmitted an addendum to the common position.

The President of the European Parliament referred the first of these texts to the Committee on Budgets on 29 November 1978 and the second on 15 December 1978. Mr SHAW's mandate as rapporteur was confirmed by the Committee on Budgets.

The Committee on Budgets considered this proposal at its meeting on 21 and 22 February 1979 and adopted the motion for a resolution and the explanatory statement unanimously.

Present: Mr Lange, chairman; Mr Aigner, vice-chairman; Mr Shaw, rapporteur; Lord Bruce of Donington; Mrs Dahlerup; Mr Nielsen; Mr Radoux; Mr Ripamonti and Mr Schreiber.

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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

embodying the opinion of the European Parliament on the common position of the Council on the proposal for a regulation amending the Financial Regulation of 21 December 1977 applicable to the General Budget of the European Communities

The European Parliament

- having regard to its resolutions of 14 December 1976, 13 December 1977 and 10 October 1978,¹
 - having regard to the reports of the Committee on Budgets dealing with the Financial Regulation (Doc. 305/75, Doc. 296/76, Doc. 469/76, Doc. 168/77, Doc. 434/77 and Doc. 353/78),
 - having regard to the outcome of the conciliation procedure on the Financial Regulation as described in the report of the Committee on Budgets (Doc. 434/77),
 - having regard to the proposal of the Commission,²
 - having regard to the common position of the Council (Doc. 468/78 and Doc. 541/78),
 - having regard to the opinion of the Court of Auditors ,
 - having regard to the report of the Committee on Budgets (Doc. 642/78),
- (a) reiterating its belief that the Financial Regulation is of fundamental importance to the efficient management of Community finances, the implementing of the budget and the presenting and auditing of accounts;
- (b) recalling changes brought about by the Treaty of 22 July 1975, which came into force on 1 June 1977;
- (c) considering that the way is now clear for the adoption of the revised provisions relating to the arrangements for appropriations carried over and for the presentation of research and investment appropriations;

¹ OJ No. C 6, 10.1.1977, p.18, OJ No. C 6, 9.1.1978, p. 19 and OJ No. C 261, 6.11.1978, p. 15

² OJ No. C 160, 6.7.1978, p. 11

1. Approves the common position of the Council insofar as the research and investment part of the Financial Regulation is concerned.
2. Endorses the common position of the Council in relation to the arrangements for the approval of carry-over requests subject to the following amendment being effected.
3. Calls on the Council to commence the conciliation procedure on (a) the issue of the indicative nature of figures shown in programme decisions on research and investment matters and (b) the appropriate provisions in regard to the authorization of borrowing and lending operations, by 30 April at the latest.

DRAFT COUNCIL REGULATION

amending the Financial Regulation of 21 December 1977
applicable to the general budget of the European Communities

Preamble and recitals unchanged

Article 1

The Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities is hereby amended as follows:

Article 6, paragraph 3, shall be replaced by the following:

In the case of the appropriations referred to in paragraph 1(b), the Commission shall submit to the Council and shall forward to the European Parliament, by 25 April at the latest, the requests to carry over appropriations, duly substantiated, made by the European Parliament, the Council, the Court of Justice, the Court of Auditors and the Commission itself.

Upon receipt of the request to carry over appropriations the Council shall consult the European Parliament which shall deliver its Opinion in good time, i.e. normally not more than four weeks as from the date on which the Council's request for an Opinion is received.

Unless the Council, acting by a qualified majority, decides otherwise within six weeks from receipt of the request to carry over appropriations, the carry-over of appropriations shall be deemed to have been approved.

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Upon receipt of the request to carry over appropriations, the Council shall consult the European Parliament so that the latter may deliver its opinion in good time which shall normally be not more than four weeks after the receipt of the request from the Council for its opinion.

Unless the Council, acting by a qualified majority, decides otherwise by 31 May, the carry-over of appropriations shall be deemed to have been approved.

Balance of Article 1 and Article 2 unchanged

¹ Doc. 541/78: The addendum to the Council's common position

EXPLANATORY STATEMENT

Background to the present report

1. The Financial Regulation, which is required under Article 209 of the Treaty, is of considerable budgetary importance because it covers the procedural aspects relating to the drawing up and the implementation of the Community budget. It sets out, in broad terms, what the layout of the budget should be and it is in the nature of a working rulebook for Community financial affairs. Parliament has always taken a special interest in this document because it clarifies the role of the budgetary authority and the Commission's responsibility and it gives details of auditing and control procedures.

The existing Financial Regulation

2. The existing Financial Regulation ¹ dates from 21 December 1977. It shows the results of a very thorough revision carried out by the Commission which was elaborated on by the Parliament. Parliament's far-reaching amendments were approved at its session on 14 December 1976 ². The Council did not find it possible to accept the majority of Parliament's amendments, at the time. However, following an extended conciliation procedure which spread over three meetings, the great majority of Parliament's amendments were ultimately endorsed by the Council ³.

Outstanding issues

3. Several points remain to be resolved, however. The more important ones of these could be summarised under three headings:
 - the definition of the implementation of the budget;
 - the presentation of borrowing and lending arrangements; and
 - the points reflecting the opinion of the Court of Auditors.

Recent proposals for amendments

4. Last summer, the Commission put forward a package of proposals for amendments to the Financial Regulation ⁴. These proposed amendments dealt with three issues:
 - the improvement of the budgetary control of borrowing and lending operations;

¹ OJ Vol. 20, L 356, 31.12.1977

² OJ C 6, 10.1.1977

³ See Doc. 434/77

⁴ OJ C 160, 6.7.1978, p. 11

- a revision of the arrangements regarding the approval of the carry-over of appropriations; and
- the simplification of the structure of the part of the budget which sets out appropriations for research and investment.

Borrowing and lending aspect

5. The appropriate presentation of borrowing and lending operations has been an issue which has preoccupied Parliament for some time. The Commission's proposals in this context were endorsed by Parliament at its session in October last. The Council's common position document did not deal with this aspect of the basic proposal. However, the Committee on Budgets felt it necessary to call on the Council to commence the conciliation procedure on (a) the issue of the indicative nature of figures shown in programme decisions on research and investment matters and (b) the appropriate provisions in regard to the authorization of borrowing and lending operations, by 30 April at the latest.

Carry-overs

6. The annex to this report shows the provision in Article 6(3) of the present Financial Regulation relating to the carry-over of appropriations. As well, for convenience of reference, the annex shows the Commission's proposal for an amendment together with the latest version of a possible compromise proposal.
7. In the past, the Committee on Budgets had been particularly concerned about the scope of carry-over of appropriations from one financial year to another and about the possibility that such appropriations, once carried over, could be transferred to other lines. Such exercises could have the effect of nullifying the wishes of Parliament as expressed in the Budget as adopted. However, the Committee on Budgets considered this issue very carefully during the course of the revision of the Financial Regulation in the autumn of 1977. The Committee agreed unanimously that, once Parliament had the last word on transfers of a non-compulsory nature, its earlier fears in regard to the carry-over of appropriations could be allayed. Parliament now has this final say.

Research and investment appropriations

8. The Commission's proposals in regard to improvements in the presentation of research and investment appropriations have been endorsed by the Committee on Budgets. These proposals have been accepted by the Council in the common position, except insofar as the new paragraph 2 of Article 88 is concerned. This paragraph states 'the figures given in programme decisions or corresponding decisions shall be merely indicative'. However,

readiness has been expressed to discuss the problem in the context of a conciliation meeting. As indicated at paragraph 5 above, the Committee on Budgets wishes that this procedure be put in motion.

Present situation

9. The Committee on Budgets considers that the time is now ripe for pronouncing on the common position set out by the Council in the two texts Doc. 468/78 and Doc. 541/78. Insofar as the research and investment part is concerned, the Council's latest position could be accepted as representing a reasonable reform. Insofar as the carry-over provisions are concerned, an amendment on the lines now suggested at page 7 of this document appears to be warranted. This is suggested because Article 73 of the Financial Regulation requires that the Commission shall draw up, not later than 1 June of the following year, a revenue and expenditure account for the Communities. If the position in regard to carry-overs is not finalised before the end of May, it will not be possible for the Commission to respect the 1 June deadline.
10. If the 1 June deadline is not respected, it will be difficult for the Court of Auditors to complete its audit responsibilities within the deadlines laid down for it. Therefore, a deadline of 31 May for the final Council decision on carry-overs is suggested with the date of transmission to Council and Parliament of carry-over proposals being brought back from 25 April to 21 April.

Conclusions

11. The Committee on Budgets considers that, in all the circumstances, the situation in regard to the amendments to the Financial Regulation set out in the common position documents of the Council can be endorsed subject to the following conditions:
- the provisional nature of appropriations in programme decisions will be gone into again in the context of an early conciliation procedure;
 - the issue of the treatment of the borrowing and lending operations in the budget will likewise be taken up in the conciliation procedure;
 - further amendments to the Financial Regulation will be effected in the light of a formal proposal reflecting the opinion of the Court of Auditors; and
 - the Council accepts the revised wording of Article 6(3).

CARRY-OVER PROVISION IN THE FINANCIAL REGULATION

Provision in Article 6(3) of
the Financial Regulation of
21 December 1977 (OJ Vol.20
No.L.356 31 December 1977)

Amendment proposed by the Commission
(OJ Vol.21 C.160 6 July 1978 page 11)

Council's compromise proposal
(Doc. 541, page 3)

Proposal of the
Committee on Budgets

In the case of the appropriations referred to in paragraph 1 (b), the Commission shall submit to the Council and shall forward to the European Parliament, before 1 May, the requests to carry over appropriations, duly substantiated, made by the European Parliament, the Council, the Court of Justice, the Court of Auditors and the Commission itself.

Unchanged

In the case of the appropriations referred to in paragraph 1 (b), the Commission shall submit to the Council and shall forward to the European Parliament, by 25 April at the latest, the requests to carry over appropriations, duly substantiated, made by the European Parliament, the Council, the Court of Justice, the Court of Auditors and the Commission itself.

In the case of the appropriations referred to in paragraph 1 (b), the Commission shall submit to the Council and shall forward to the European Parliament, by 2/ April at the latest, the requests to carry over appropriations, duly substantiated, made by the European Parliament, the Council, the Court of Justice, the Court of Auditors and the Commission itself.

Unless the Council, acting by a qualified majority after consulting the European Parliament, decides otherwise within one month, the carry-over of these appropriations shall be deemed to have been approved.

'Should the Council, acting by a qualified majority, fail to take a contrary decision within six weeks of receiving the application, the carrying over of these appropriations shall be deemed to be approved.

The Council shall consult the European Parliament immediately upon receiving the application to carry over appropriations.'

Upon receipt of the request to carry over appropriations, the Council shall consult the European Parliament so that the latter may deliver its opinion in good time which shall normally be not more than four weeks after the receipt of the request from the Council for its opinion.

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Unless the Council, acting by a qualified majority, decides otherwise within six weeks from receipt of the request to carry over appropriations, the carry-over of appropriations shall be deemed to have been approved.

Unless the Council, acting by a qualified majority, decides otherwise by 3/ May, the carry-over of appropriations shall be deemed to have been approved.

