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Report

drawn up on behalf of the Committee on Budgets

on the ~~European~~ Parliament's guidelines for the budgetary policy of the
Community for the 1980 financial year

Rapporteur: Mr M. BANGEMANN

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PE 57.332/fin.

At its meeting of 21 February 1979 the Committee on Budgets requested Mr Bangemann to carry out the preparatory work on the European Parliament's guidelines for the budgetary policy of the Community in 1980.

The Committee on Budgets considered the draft report at its meeting of 28 February 1979 and adopted it at the same meeting by 9 votes to 2 with 3 abstentions.

Present: Mr Lange, chairman; Mr Bangemann, vice-chairman and rapporteur; Mr Alber, Lord Bessborough, Lord Bruce of Donington, Mrs Dahlerup, Mr Dankert, Mr Notenboom, Mr Ripamonti, Mr Scott-Hopkins, Mr Shaw, Mr Schreiber, Mr Spinelli and Mr Würtz.

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

MOTION FOR A RESOLUTION

on the European Parliament's guidelines for the budgetary policy of the Community for the 1980 financial year

The European Parliament,

- having regard to the report of the Committee on Budgets (Doc. 672/78),

1. Is of the opinion that a debate on the Community's budgetary policy guidelines for the coming financial year, conducted between the institutions and within each of them, is likely to lend greater coherence to the decisions taken within the framework of the budgetary procedure and to their effects on the overall volume of the budget;

I. General problems of budgetary and financial policy

2. Reaffirms its desire to see, not later than in the 1980 financial year, the Community's borrowing and lending operations entered in the general budget in the form of a capital account budget;
3. Asks the Council to take a clear stand on the principle of the budgetization of the EDF and proposes that, before the presentation of the preliminary draft budget, informal contacts should take place between the institutions so that the arrangements for this budgetization can be discussed; emphasizes also that in the field of development aid the Commission's responsibility as regards the implementation of the budget must not be impaired particularly through the assignment of excessive powers to the management committees;
4. Is in favour of greater permeability between the finances of the ECSC and the general budget as a means of resolving the difficulties due to the ECSC's inability to increase its resources;
5. Considers that the use of the European unit of account should become more comprehensive and widespread so that, with a view to the introduction of the European Monetary System, the EUA can perform the functions of an accounting unit, a unit of transaction and a monetary unit;

6. Believes that the Community's financial autonomy should be strengthened:
- (a) by completing the introduction of the Community VAT system - those Member States which have still failed to do so being required to fulfil their obligations - and by improving this system,
 - (b) by the creation of new own resources;

II. Institutional questions

7. Considers that observance of the spirit as well as the letter of the provisions contained in Article 203 of the EEC Treaty is essential for the establishment of a constructive dialogue within the budgetary authority and that any difficulties in the application of these provisions should be resolved jointly by the institutions;
8. Recommends greater clarity in the separation of budgetary and legislative powers and recalls its proposal that a conciliation procedure be opened on the question of the indicative nature of the orders of magnitude and percentages appearing in the texts of regulations;
9. Believes that the problem of the implementation of the budget and of the utilization of appropriations is of fundamental importance for the Community, and suggests that the institutions should give thought to reforming the principles of Community financing on the basis of an analysis of the existing systems and of the blockages which occur at the level of the Community, of the Member States, of national administrations and of the beneficiaries;
10. Takes the view that, before the opening of the budgetary procedure, the institutions should seek an informal agreement on the problem of the division of powers in respect of the classification of appropriations and of changes in the nomenclature and on the question of when and under what conditions the appropriations can be utilized directly;

III. Sectoral guidelines

11. Considers that the priority objective of the 1980 budget should be to strengthen Community action for improving regional, social and production structures and correcting the imbalances in them; emphasizes the urgent need for the following measures, not necessarily in this order:

- (a) at the social level
 - measures for the readaptation of workers in industrial sectors undergoing a crisis, aid for employment of particularly underprivileged categories: young people, women, the handicapped;
 - improved utilization of payment appropriations from the Social Fund,
- (b) at the regional level
 - greater strengthening and coordination of the Community's financial instruments to facilitate more specifically Community actions in the area of regional policy, taking special account of aspects relating to rural development,
- (c) in the industrial sector
 - the financial side of Community action for the restructuring of sectors suffering a crisis,
 - Community policies of support for certain advanced technology industries,
- (d) energy
 - the financing of Community measures in this sector should be accompanied by the institution of a genuine common energy policy,
- (e) Community policies for the next few years
 - preparation for enlargement,
 - policy of cooperation with the non-associated developing countries,
 - a policy on research, science and technology,
 - a policy on the environment,
- (f) a better balance between agricultural expenditure and other budget appropriations and, within the agricultural expenditure, a better balance between appropriations for market support and those earmarked for structural policy;

IV. Pending questions

12. Asks the appointing authorities to submit to it as a matter of urgency proposals for dealing with the problem of staff mobility, promotion and adjustment of staff to the changes within the institutions so as to enable it to make a sounder assessment of requests for new staff;

13. Suggests that the institutions should undertake an examination of the advisability of maintaining existing decentralized bodies and/or creating new ones;

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14. Formally requests the Council and Commission to state their views on the budgetary policy guidelines for 1980 and to take part in a discussion in which a common position can be established;
15. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTIntroduction

1. As it does every year, Parliament is making its contribution to the debate on the guidelines for Community budgetary policy in the coming year. Since the debate was first introduced on the initiative of the Commission, some progress has been achieved, but the objective set by the Commission has not been fully attained. In particular, agreement has never yet been effectively reached on these guidelines within the budgetary authority. Furthermore, even though the guidelines are discussed in the Council at a joint meeting of the Ministers of Finance and Foreign Affairs, the positions which the Council has adopted on budgetary policy for the following financial year have never been particularly useful for either the Commission or Parliament.

2. This debate on guidelines is undoubtedly an essential element in the process of the institutionalization of the budgetary authority. Within the framework of relations between partners which must be established between the Council and Parliament if a constructive political dialogue is to be held, a joint position on the objectives to be set for the following year's budget is likely to make the final decision that much easier. Another advantage of this debate is that it is held at the beginning of spring, and the terms of an agreement on the main options of the budget do not have to be defined under the pressure of deadlines.

3. As in previous years, Parliament is beginning its work at the end of the winter. In addition to the usual reasons for this timing, there exists this year the additional factor that the timetable may be affected by direct elections.

Contents of the budget guidelines for 1980

4. To ensure the continuity of budgetary policy, it is necessary to take into account the achievements of previous years. However, given that the task at this stage is merely to spell out objectives rather than specific actions, the degree of progress achieved in the various fields is not an absolutely decisive factor.

5. Furthermore, the present Parliament must proceed cautiously, for it must not predetermine the decisions of the elected Parliament, which will be responsible at the decision-making stage of the procedure. Naturally, it must not repudiate its previous positions. On the contrary, the elected Parliament must be able to draw on the existing achievements, which must be

consolidated. However, it will be difficult for it, at that stage, to change the broad lines of budgetary policy. It is therefore advisable that we should propose to Parliament a budgetary policy based on continuity and consolidation.

I. General problems of budgetary and financial policy

A. Unity of the budget

6. An essential rule for a budgetary policy is not only that it should be consolidated and pursued, but that we should also resist the trend towards the dispersal of Community finances, exemplified by the increasing tendency to finance activities on the basis of systems of contributions from the Member States. If we are not careful, this trend could lead rapidly to the dismantling of the Community budget and the dispersal of its finances.

1. Budgetization of loans

7. For several years, Parliament's objective has been to create a long-term capital budget incorporating all the borrowing and lending activities of the Communities and placing them under the powers of decision and control of the budgetary authority.

Important progress must be achieved in this field in the financial year 1980, at least as regards those activities which are already partially budgetized in the form of token entries.

2. Budgetization of the EDF

8. A decision on this issue is imminent. Parliament has long held a clearly defined position on this problem: the Lomé Convention represents an element of Community policy on aid for development and cooperation, and the question of its financing must be settled within the framework of the Community budget.

Agreement must be reached between the institutions on this point as a matter of urgency, in order to facilitate the implementation of the budgetary procedure for the financial year 1980.

3. Operational activities of the ECSC

9. The coordination of ECSC finances and the general budget is likely to facilitate the introduction of a common policy in the iron and steel sector and a more effective integration of the coal sector into energy policy as a whole. It would be hard to accept that Community action in these two vital sectors should be doomed to remain ineffective owing to the existence of different financing procedures. For 1980, the limitations on Community action resulting from the inability

to increase ECSC resources should be removed by providing for closer coordination between ECSC finances and the general budget.

B. Generalized application of the European unit of account

10. Further progress must be made in this field, particularly in the agricultural sector, to ensure the generalized application of the EUA to coincide with the introduction of the European Monetary System and to ensure that, in addition to its use for accounting purposes, the EUA also becomes a unit of transaction and a monetary unit.

C. Volume of the budget and problems of financing

11. In view of Parliament's responsibility towards the European taxpayer, it is obliged to seek an ideal balance between the need to sustain the increase in resources at an acceptable level and the political need to provide the Community with the financial resources to fulfil its task and pursue its construction. Last year Parliament took the view, in agreement with the Commission, that the volume of the budget and its principal financial instruments should be substantially increased if they are to have a significant economic impact.

12. One of the points settled last year in the political dialogue under the budgetary procedure was that the institutions would open a discussion with a view to resolving the problem posed by the current 1% ceiling on the rate of VAT. The Commission has forwarded to the two other institutions not proposals, but an analysis of the situation, which at least has the advantage of getting the dialogue under way.

13. Parliament considers it of vital importance, and its delegation has made this known to the other institutions in the clearest possible terms, that the financial autonomy of the Communities should be strengthened and consolidated. Despite regrettable delays, the introduction of the VAT directives may be considered an important step in this direction. It would be intolerable if despite the urgent requests by Parliament and the Commission, those Member States who have still failed to do so did not fulfil their obligations as soon as possible.

14. The system whereby the Community is allocated a percentage of VAT deducted from each of the national rates corresponds to a situation in which the activities financed out of the Community budget are those activities the administration of which has been transferred from national to Community level. However, the Community also administers specifically Community activities. In the case of the latter, it is logical to provide for specifically Community resources - either a new form of tax revenue or, if the VAT system is preserved, a fixed percentage added to the various national rates.

II. Institutional questions

15. The budgetary treaties have provided a framework to serve as a basis for institutional development. The main element of this framework is the organization of a political dialogue within the budgetary authority. The establishment of this dialogue has required unceasing efforts by Parliament to achieve recognition as a fully-fledged partner. For Parliament, the pursuit of this struggle is not a means of increasing its influence at the expense of the other institutions, but the expression of its desire to introduce a greater measure of democracy into Community mechanisms.

A. Dialogue between the two branches of the budgetary authority

16. If we make a distinction within this dialogue between the stage where an overall assessment is made of budgetary problems and the decision-making stage, it cannot be denied that the first stage has hitherto been neglected. On the experience of past years, your rapporteur considers it essential for the proper conduct of the budgetary procedure that the dialogue should begin when the budgetary policy guidelines are being worked out. As soon as all the institutions have reached a position on these guidelines, they should meet with a view not only to comparing their points of view, but also to reaching a joint position on priority areas for the development of the Community's budgetary activity.

17. Attempts to this end have been made in previous years without great success, as the Council of Ministers of Finance and Foreign Affairs failed to reach very specific conclusions. Your committee therefore proposes that Parliament should formally request a meeting with the other institutions with a view to fixing the priorities for budgetary policy in 1980 as soon as they have adopted a position on this subject, preferably in the spring.

18. The difficulties in the dialogue at the decision-making stage, connected mainly with the application of the provisions of Article 203 of the EEC Treaty, do not concern the guidelines as such. These difficulties - caused by the fact that a practice which had been thought firmly established was called into question - pose a legal problem concerning the division of responsibilities among the institutions and must be resolved within a framework other than that of the political dialogue on guidelines for the budget.

B. Relations between budgetary power and legislative power

19. Parliament's point of view has been stated on innumerable occasions: it proposes a clear and unambiguous separation of powers and opposes any encroachment by one institution on the competences of another.

1. Encroachment by the legislative authority on the budgetary authority

20. Even if it may sometimes be necessary to specify certain orders of magnitude in the texts of regulations, it must nevertheless be clear that no budgetary decision can be taken in this way. No endowment or percentage figuring in the text of a regulation can be allowed to influence the decisions of the budgetary authority. As regards the financial year 1980, Parliament will continue to consider such endowments or percentages as merely indicative.

In the medium term, however, this problem will have to be settled on the legal plane.

2. Encroachment by the legislative authority on the executive authority

21. The entry of appropriations by the budgetary authority is frequently rendered meaningless in cases where the Commission uses the pretext of requiring a prior decision or approval by the Council for delaying or even refusing to use an appropriation. To put an end to all ambiguity, Parliament has proposed that it should be indicated clearly in the remarks appearing in the budget which appropriations may be used on the sole condition that they have been entered in the budget, and which appropriations cannot be used until certain stipulated conditions have been met. The rapporteur feels that this proposal should be maintained.

3. Delays in the utilization of appropriations

22. Parliament has found on many occasions that considerable delays occur in the utilization of appropriations in certain sections of the budget. Parliament has analysed the causes of this at different stages in the implementation of the budget: staffing problems at the Commission; inadequate coordination between the Commission and the national administrations; the cumbersomeness, inadequacy or inappropriateness of certain departments and services in the Member States; insufficient attractiveness of Community actions and lack of interest on the part of Member States for these actions where they do not coincide exactly with their own national policies; lack of information among potential beneficiaries, etc.

Remedies have been proposed, for instance the introduction of differentiated appropriations. Their effect has been minimal since they are addressed to the symptoms and not to the cause of these delays, which is essentially that excessive proliferation of implementation levels makes it difficult to attach personal responsibility to those concerned.

One of the fundamental points in the inter-institutional debate on the 1980 guidelines should be to find ways of putting an end to these delays.

C. Division of responsibilities for the classification of expenditure and changes in the nomenclature

23. This problem too is essentially of a legal nature and a definitive solution must be sought within a framework other than that of the guidelines for budgetary policy in the year ahead. However, a discussion at the guidelines stage would enable the definition of a course of action for the subsequent budgetary procedure.

III. Sectoral guidelines

24. Last year, Parliament outlined its view of the role of the budget:

- (a) as regards the integration of the Community
 - transfer to the Community of responsibility for the financing and administration of sectors which the Member States have difficulty in handling owing to the scale of the problems involved;
 - coordination at Community level of national activities which could, by such coordination, be made more effective and profitable;

- (b) at the level of the Community's economic policy; in contributing to the establishment of a European zone of monetary stability and improved growth, the Community budget should give priority to the improvement of regional, social and production structures.

25. These objectives should be maintained, while allowing for two new factors: the aggravation of the social effects of the crisis in certain sectors; and the Community decision in principle to move towards the organization of a European zone of monetary stability and improved growth.

26. The Committee on Budgets therefore proposes that the main sectoral guidelines adopted by Parliament for the 1979 financial year should be maintained.

27. As regards operational expenditure, two problems should be emphasized:

- (a) precise criteria should be available to the budgetary authority to enable it to assess the staff requirements. With this in view, the appointing authorities are invited to submit proposals for the main lines of a policy on staff promotions, staff mobility and staff adjustment to the changes within the Institutions;

(b) the maintenance or creation of decentralized bodies represents, if not a legal, then certainly a practical obstacle to the exercise of its responsibilities by the budgetary authority. The institutions should define criteria which would prevent unrestricted growth of such bodies.
