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# European Communities

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## Report

drawn up on behalf of the Committee on Budgets  
on draft amending and supplementary budget No. 1  
of the European Communities for the financial  
year 1979, drawn up by the Council (Doc. 67/79)

Rapporteur: Mr M. BANGEMANN

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On 21 February 1979 the Commission of the European Communities forwarded preliminary draft amending and supplementary budget No. 1 for 1979. A Parliament delegation met the Council on 6 March 1979.

On 22 March 1979 the Council drew up draft amending and supplementary budget No. 1 for 1979 and forwarded it to Parliament on 29 March 1979.

The Committee on Budgets confirmed Mr Bangemann as rapporteur.

It considered preliminary draft amending and supplementary budget No. 1 at its meeting of 12 March 1979.

It considered draft amending and supplementary budget No. 1 for 1979 at its meetings of 28 March, 3 April and 23 April 1979.

At the last meeting it considered the draft report and adopted it by 11 votes to 1.

Present: Mr Lange, chairman; Mr Aigner, vice-chairman; Mr Bangemann, vice-chairman and rapporteur; Lord Bessborough, Lord Bruce of Donington, Mrs Dahlerup, Mr Dankert, Mr Hansen, Mr Ripamonti, Mr Schreiber, Mr Spénale (deputizing for Mr Joxe) and Mr Spinelli.

The opinions of the Committee on Agriculture and the Committee on Regional Policy, Regional Planning and Transport are attached.

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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 and supplementary budget No. 1 of the European Communities for the financial year 1979, drawn up by the Council

The European Parliament,

- having regard to preliminary draft amending and supplementary budget No. 1 of the European Communities for the financial year 1979 (COM(79) 16),
  - having regard to draft amending and supplementary budget No. 1 of the European Communities for the financial year 1979, drawn up by the Council (Doc. 67/79 ),
  - having regard to the report of the Committee on Budgets and the opinions of the Committee on Agriculture and the Committee on Regional Policy, Regional Planning and Transport (Doc. 119/79).
  - recalling its standpoint that a supplementary budget should be introduced only in circumstances that are exceptional, inevitable and unforeseen,
1. Takes the view that an amending and supplementary budget is necessary in order to permit the financing of interest subsidies in respect of lending activities connected with the EMS, and also of measures for the payment of compensation to the United Kingdom;
  2. Regards the appropriations earmarked for the financing of these two categories of measures as non-compulsory expenditure;
  3. Considers that any reference to a specific appropriation or percentage in acts of a legislative nature is without prejudice to the budgetary authority's decision concerning such an appropriation, or to the classification of the expenditure in question ;

EXPLANATORY STATEMENT

1. At the meeting of 5 December 1978 between the Parliament delegation and the Council, the President-in-Office of the Council expressed the view that a supplementary budget would undoubtedly prove necessary during the first few months of 1979 in order to permit the financing of measures connected with the EMS. At the end of the Council meeting of 12 December 1978, the President of the Council declared:

'Some preliminary work of a technical nature is still required before the European Council's decisions of 4 and 5 December 1978 concerning regional policy measures in favour of the less prosperous Member States can be implemented. The Council has therefore not yet been able at this stage to come to any conclusions of a budgetary nature ...'

2. Even before the adoption of the annual budget the possibility of a supplementary budget was therefore already **very** real. It is nevertheless certain that the **EMS** appropriations have played an important role in the development and resolution of the conflict between the Council and Parliament regarding the adoption of the 1979 budget.

3. This conflict was concerned with both substance and form. As regards the substance, and in particular the ERDF appropriations, it has been possible to arrive at an agreement between all the parties within the Commission and the Council on a formula that, whilst failing to secure unanimous approval, nevertheless obtained the support of a substantial majority. The Commission's proposal whereby the appropriation entered in the annual budget would be reduced by 155 m EUA in commitment appropriations and 54 m EUA in payment appropriations with the simultaneous introduction of a Chapter 57 to cover measures connected with the **EMS**, endowed with 200 m EUA for interest subsidies and 45.3 m EUA for financial compensation to the United Kingdom, was eventually accepted by the Council, subject to the 200 m EUA for the **EMS** being transferred to Chapter 100.

4. The Committee on Budgets takes the view that the compromise reached within both the Commission and the Council results in an overall increase in the appropriations earmarked for regional policy. It is accordingly in favour of this proposal.

5. Nevertheless, it cannot accept the view expressed in both the Commission's preliminary draft and the Council's draft to the effect that the **EMS** appropriations are to be classified as compulsory expenditure. The only objective criterion for the classification of expenditure, namely the existence of a **specific obligation** on the part of the

Commission and the Community in regard to third parties, indicates clearly that the expenditure in question is non-compulsory.

6. Moreover, the fact that a regulation refers to a specific figure as regards the expenditure to be incurred, or even a percentage, as in the case of the ERDF regulation establishing the non-quota section, cannot bind the budgetary authority in its decisions, nor does it imply that the appropriations in question are to be classified as compulsory expenditure.

7. Disagreement also developed within the Council as to whether the budget for the 1979 financial year had been properly adopted, and, if not, as to the implications of this situation. There was no such disagreement between the institutions, all of which regarded the 1979 budget as in existence.

8. A compromise was finally arrived at within the Council, putting an end to the disagreement once and for all. The Council in fact made every endeavour to find a solution that was sufficiently vague to **accommodate** the different points of view.

9. As far as Parliament is concerned it is essential that the solution worked out in the Council should undermine neither the distribution of powers between Council and Parliament in the course of the budgetary procedure nor the existence of the budget adopted on 14 December 1978.

10. As regards the voting procedure in the Council on Parliament's amendments, the Committee on Budgets finds that the circumstances under which the Council wished to **adopt the text governing that procedure allow** the principle of a qualified majority vote on each of the **amendments** tabled to be called into question.

11. Following a press release, a misunderstanding arose as to the Council's position concerning the existence of the 1979 budget. This misunderstanding was removed by a letter from the President of the Council to the President of Parliament.

12. Since 2 April 1979 those Member States which still disputed the existence of the 1979 budget have formally regularized their situation in that they have not only paid over the arrears, but have also made advance payments in anticipation of the adoption of amending and supplementary budget No. 1 for 1979. In any event it will be up to the Commission to establish the resources actually paid and compare them with the amounts due.

13. With respect to the application of the provisions of Article 203 (9) of the EEC Treaty concerning the rate of increase in non-compulsory expenditure, the Committee on Budgets considers that by virtue of the application of subparagraphs 4 and 5 of Article 203 (9) in connection with the annual budget, there is no need for Parliament to take a decision on this point.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman:

Mr H.-J. KLINKER

The Committee on Agriculture appointed Mr Klinker draftsman of the opinion.

At its meeting of 4 and 5 April the committee considered the draft opinion and adopted it with 12 votes for, 1 against and 1 abstention.

Present: Mr Liogier, vice-chairman and acting chairman; Mr Ligios, vice-chairman; Mr Klinker, draftsman; Mr Albertini, Mr Andersen, Mrs Dunwoody, Mr Fuchs (deputizing for Mr Früh), Mr Hansen, Mr L'Estrange, Mr Müller, Mr Ney, Mr B. Nielsen, Mr Pisoni and Mr Tolman.

1. At its meeting of 28 and 29 September 1978 the Committee on Agriculture adopted an opinion<sup>1</sup> for the Committee on Budgets on the draft general budget of the European Communities and amendments thereto.

2. These amendments<sup>2</sup>, concerning:

- agricultural research programmes (No. 81)
- vocational training of farmers (No. 82)
- Community supervision of the application of agricultural rules (No. 83)
- common policy on the sea (Nos. 84 to 90)
- monetary compensatory amounts (Nos. 91 and 92)
- common fisheries policy (Nos. 95 and 96)
- food aid (Nos. 97/rev. to 104/rev.),

were given a first reading by the European Parliament at its sittings from 23 to 25 October 1978<sup>3</sup> and were then forwarded to the Council.

3. By letter of 22 November 1978 the Council informed the European Parliament of the action taken on its amendments and proposed modifications<sup>4</sup>. It emerged that the Council had accepted only the amendment on 'Community supervision of the application of agricultural rules' (Article 317).

4. Under the budgetary procedure, the European Parliament had the right to amend the modifications made by the Council to the amendments concerning non-compulsory expenditure at its December 1978 part-session. However, as the Council had not obtained the majority required to reject Parliament's Regional Fund amendment increasing appropriations from 520 m EUA to 1,000 m EUA (plus an appropriation of 100 m EUA under Chapter 56), Parliament decided to withdraw all its amendments to the general budget of the European Communities for the financial year 1979 in order to preserve the considerable impetus given to regional policy<sup>5</sup>.

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<sup>1</sup> PE 55.080

<sup>2</sup> Debates of the European Parliament, October 1978 part-session - No. 235 - October 1978

<sup>3</sup> See minutes of sitting of 25 October 1978, OJ No. C 275, 20.11.1978, p. 8

<sup>4</sup> Doc. 472/78

<sup>5</sup> See minutes of sitting of 14 December 1978, OJ No. C 6, 8.1.1979, p. 14

5. Thus the amendments<sup>1</sup> concerning

- agricultural research programmes (No. 8)
- vocational training of farmers (No. 9)
- common policy on the sea (Nos. 7, 34 to 45 and 65)
- monetary compensatory amounts (Nos. 53 and 54)

were not submitted for the approval of the House.

6. In a desire to have the guidelines it defined at its meeting of 28 and 29 September 1978 implemented in the supplementary and amending budget adopted by the Council, the Committee on Agriculture hereby submits to the European Parliament the amendments annexed to this report.

7. As regards agricultural research programmes, the Committee on Agriculture would like the appropriations to be increased from 2.705m EUA to 4m EUA in order to intensify research in certain areas (see annex: Item 3141) and ensure the widest possible dissemination of the results.

8. As regards the vocational training of farmers, the Committee on Agriculture requests that the appropriations for CEPFAR (European Training and Promotion Centre for Farming and Rural Life - Article 316) be increased from 50,000 EUA to 300,000 EUA so that the centre can step up its information and training activities in the countryside, particularly in the context of the election of the European Parliament by direct universal suffrage, which requires a general mobilization of European public opinion, and so that it can cover its operating deficit of 111,000 EUA. It should be remembered that CEPFAR has performed a very useful function in the countryside in the vocational training of young people and women.

9. The Committee on Agriculture also attaches considerable importance to the implementation of a common policy on the sea (Chapter 38) to supplement and reinforce the common fisheries policy.

The Committee on Agriculture therefore proposes that the European Parliament should retable the amendments put forward in December, on which agreement had been reached between the Committee on Agriculture and the Committee on Budgets. It hopes that the Council will accept these amendments unmodified as the Community would be affected by any changes made to the Law on the Sea once the Third United Nations Conference on the Law of the Sea has drawn up a new convention on the subject.

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<sup>1</sup> Debates of the European Parliament, December 1978 part-session, - No.237  
- December 1978

10. The Committee on Agriculture had requested that monetary compensatory amounts and accession compensatory amounts, which cannot be regarded as agricultural expenditure, should be entered under Title 4 'Repayments and aids to Member States and miscellaneous'. MCAs are in fact the result of monetary instability in the Community in the past and should now be gradually dismantled under the EMS as the Commission proposed in its price proposals for the 1979/80 marketing year<sup>1</sup>. The Committee on Agriculture therefore requests that these compensatory amounts be entered under two new chapters, Chapters 44 and 45.

11. The Committee on Agriculture therefore calls on the European Parliament to adopt its amendments. It hopes that it will receive the active support of the Committee on Budgets so that the Community can increase its standing in the eyes of the European public this year, a crucial one for its future development.

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<sup>1</sup> Doc. 613/78

OPINION OF THE COMMITTEE ON REGIONAL POLICY, REGIONAL  
PLANNING AND TRANSPORT

Draftsman: Mrs M. KELLETT-BOWMAN

At its meeting of 27/28 March 1979 the Committee on Regional Policy, Regional Planning and Transport appointed Mrs Kellett-Bowman draftsman of the opinion.

At its meeting of 24 April 1979 the committee considered the draft opinion and adopted it unanimously.

Present: Lord Bruce of Donington, chairman; Mr Wawrzik (deputizing for Mr McDonald, vice-chairman); Mr Normanton (deputizing for Mrs Kellett-Bowman, draftsman); Mr van Aersen (deputizing for Mr Starke), Mr Bertrand (deputizing for Mr Liogios), Mr Brugger, Mr Fuchs, Mr Mascagni, Mr Noè, Mr Schyns and Mr Tolman.

1. The December 1977 European Council had proposed an amount of 620 m EUA for European Regional Development Funds (ERDF) operations in 1979 within the framework of national quotas (the only section existing at the time). At the end of 1978, in the new context of recent regional policy developments and of the creation of the European Monetary System, the European Parliament proposed that the ERDF's endowment be increased to 1,000 m EUA (for operations within the framework of national quotas).
2. It had, in effect, been recognized at the Bremen European Council in July 1978 that the less prosperous Member States (Ireland, Italy and the United Kingdom) would not be able to cope with the social and economic constraints of the system unless their economies were strengthened by transfers of resources.
3. To ensure the durability of the European Monetary System (EMS), these transfers must be substantial for the following reasons:
  - the states concerned are not only the least prosperous, but they also account for the greater part of the Community's most serious structural and regional problems and register the highest levels of unemployment and the highest inflation rates;
  - these states would not be able simultaneously to submit to the constraints of the EMS and continue their efforts to solve their persistent structural and regional problems;
  - the presence of severe structural and regional imbalances in these countries curtails their growth, represents a permanent cause of inflation and has adverse effects on the Community's cohesion;
  - when there is a resumption of investment in these countries, this will first of all be directed to the restructuring of industries in the most prosperous regions, with consequent danger of further aggravation of regional imbalances;
  - the flexibility and credit mechanisms of the EMS will not suffice to remedy persistent structural and regional imbalances, in addition, the United Kingdom is not taking part in the EMS;
4. The ERDF is one of the instruments which make the transfer of resources possible, since the system of national quotas ensures that the three least prosperous states will receive over 74% of the funds.

The endowment of 1,000 m EUA decided by the European Parliament is relatively modest, since this was the figure proposed by the Commission in 1978, long before there was any question of setting up the EMS. The report of the Study Group on the Role of Public Finance in European Integration (McDougall

report, April 1977) emphasizes that an average Community annual expenditure of the order of 5,000 to 10,000 m u.a. on structural and regional policies would be required before it could present a real benefit in economic terms.

The reduction of the ERDF's endowment for 'measures in support of national regional policies' proposed in the supplementary budget is thus in contradiction with the intention to set up an effective and durable European Monetary System.

5. The decision to grant Community loans on special terms to the less prosperous countries in no way justifies this reduction in the ERDF's endowment, particularly since the United Kingdom cannot benefit from such loans as it is not a member of the EMS. It must be emphasized that a difference exists between loans, even if granted on special terms, and aids within the framework of regional development. The aids are more suitable for the financing of projects, particularly in the area of infrastructures, which are not immediately profitable but which must nevertheless be carried out as a preliminary to economic recovery.

6. The 200 m EUA proposed for the 3% interest subsidies is thus not an adequate justification for cutting down the ERDF's endowment.

Overall, the very modest total of the transfers agreed will not be sufficient to reduce the persistent structural and regional imbalances.

7. For the non-quota section, the European Parliament had reintroduced the 100 m EUA endowment already proposed by the Commission for 1978.

In the European Parliament's view the creation of this section for specific Community actions should be a first step towards a Community regional policy, based on impartial Community criteria.

Your draftsman particularly regrets the reduction of the non-quota section to less than the 100 m EUA which had been entered by Parliament in a separate chapter of the budget and was not rejected by the Council of Ministers.

The non-quota section can and must be one of the most important instruments of regional policy; it should involve more directly the local authorities and the peoples of the regions themselves. Your draftsman hopes that a special effort will be made over the next few years to ensure that this non-quota section is increased<sup>1</sup>.

<sup>1</sup> In the preliminary draft budget for 1978 the Commission had proposed 100 m EUA, or approximately 13% of the Fund's resources. In the 1979 budget the 100 m EUA endowment represented about 10% of the total. In the draft supplementary budget for 1979 the 45 m EUA endowment represents 5% of the total.

The very regrettable reduction of this endowment to 45 m EUA is consequent on the amendment of the ERDF regulation, adopted on 6 February 1979, whereby the amount for the non-quota section is fixed at 5% of the Fund's resources<sup>1</sup>.

8. In 1975 the European Parliament refused to accept that the Fund regulation should lay down the triennial endowment for the Fund, thus giving it a compulsory nature. The Council then agreed that at the end of the three-year initial period Regional Fund expenditure would become non-compulsory. Contrary to its undertakings, the Council, in the revised text of the Fund regulation, has entered the amount of the non-quota section as a percentage.

In this way the fixing of the non-quota section amount has been taken outside the scope of Parliament's powers of assessment.

9. Despite these reservations, the Committee on Regional Policy, Regional Planning and Transport accepts the new ERDF endowment in view of the fact that it is larger than originally proposed. The fund is only one of the instruments by which structural and regional policy may be pursued.

But, in order to ensure greater convergence of the economies of the Member States, the Commission should strengthen the coordination of the currently available financial instruments which have a structural and regional impact and it should concentrate their intervention on those regions where structural imbalances are most serious.

However, it must be recognized that regional policy and the structural policies with regional impact are not being conducted on a sufficient scale to allow existing problems to be resolved. Whichever instrument is used, therefore, more transfers will be needed to transform into reality the Treaty's aim of improving the quality of life for all Community citizens.