

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 387/77

Report

drawn up on behalf of the Committee on Budgets

on Draft Amending Budget No. 2 of the European
Communities for the financial year 1977

(Doc. 333/77)

Rapporteur Lord BRUCE of DONINGTON

On 4 April 1977 the Commission of the European Communities forwarded to Parliament preliminary draft Amending Supplementary Budget No. 1 for the financial year 1977.

Draft Amending and Supplementary Budget No. 1 was drawn up by the Council on 21 June 1977. From this were deleted items amending Chapter 33 'Research and Investment Activities'.

Draft Amending Budget No. 2 was drawn up by Council on 11 October 1977. This concerned exclusively Chapter 33 of the Budget.

An exchange of views was held at the meetings of the Committee on Budgets on 2 November 1977 and 14 November 1977 and at the latter meeting the Committee on Budgets considered the Report by Lord Bruce of Donington, rapporteur for the General Budget for 1977 and unanimously adopted the motion for a resolution.

Present : Mr Aigner, Acting Chairman;
Lord Bruce of Donington, rapporteur; Mr Dankert, Mr Früh,
Mr F. Hansen, Mr Mascagni, Mr Noe (deputizing for Mr Alber),
Mr Notenboom, Mr Schyns (deputizing for Mr Van Herssen).

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A.

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. 2 of the European Communities for the financial year 1977

The European Parliament

- having regard to the preliminary draft supplementary budget No. 1,
 - having regard to the draft amending budget drawn up by the Council (Doc.333/77),
 - having regard to the report of the Committee on Budgets (Doc.387/77),
 - aware that this draft budget, being introduced so late in the financial year, is a result of a twofold failure of Council to decide
 - first, on the programmes of research submitted to it,
 - second, on the preliminary draft supplementary budget No. 1,
 - aware of the complexities in the presentation of the research items of the general budget,
 - having regard to its consistent hostility to supplementary and amending budgets, except where necessary, urgent and unforeseen,
1. Renews its protest at the delays by Council which have threatened the continuity of the Community's research activities;
 2. Points out the unsatisfactory nature of the present procedure which concerns the adoption of a draft budget based on a supplementary draft, submitted six months earlier;
 3. Points to the need for the improvement in the presentation of the research chapters of the budget, in order to render them comprehensible;

4. Instructs its Committee on Budgets to present proposals to it for the improvement of clarity in these chapters during the course of the 1979 budgetary procedure;
5. Notes that the long delayed decision on the siting of the Joint European Torus has at last been reached; years after the proposal was launched by the Commission;
6. Recalls that
 - (a) only the budget can constitute the authorisation to commit expenditure
 - (b) because of the delayed decision on the siting of the Joint European Torus the draft submitted by the Council has not been able to take account of that decision;
7. Therefore, cannot agree to adopt an amending budget concerning research activities right at the end of the financial year, with the appropriations, still as yet, not finalised and with appropriations still left in the provisional chapters of the budget; thus, if its budgetary rights are to be respected, leaving the way open for a further amending of the budget in the last days in the financial year, which would ridicule the principle of annuality for the budget;
8. Decides to break down appropriations for the Joint European Torus in the operational lines of the budget, by means of an amendment transferring appropriations from the provisional lines;
9. Underlines that any delays in the financing of the programme and any consequential disruption that may ensue will be the sole responsibility of Council;
10. Under these conditions, insists that Council does not cause there to be a second reading of the draft amending budget through failure to agree to Parliament's amendments;
11. Approves, subject to Council's agreement, draft amending budget no. 2 for the financial year 1977 with the following amendments; considers that as a result of this agreement this budget should be deemed to be finally adopted and therefore instructs its President at that time to implement Article 203 (7) of the EEC Treaty regarding the adoption of the Budget.

B.

EXPLANATORY STATEMENT

Introduction

1. On 4 April 1977, the Commission submitted to Council and Parliament its preliminary draft on the first supplementary and amending budget for the financial year 1977.⁽¹⁾ Amongst other things, this proposed considerable adjustments to the research appropriations.

In particular, it took account of staff changes, the adoption of a multi-annual programme in the field of scientific and technical education and training,⁽²⁾ the possible consequences of the adoption of the new multi-annual Joint Research Centre (JRC) programme for the 1977-1980 period and the consequences of the delay in decision over the siting of the Joint European Torus (JET).

The consequence of the preliminary draft was a total saving in commitments (of 29.4 m.u.a.) and payments (of 1.7 m.u.a.).

2. Before Parliament adopted the draft, a letter of amendment to the preliminary draft was submitted by the Commission.⁽³⁾ This further changed appropriations in the research and investment sphere by taking into account the Council decision of 29 March 1977 on the multi-annual programme which contained a specific decision on the thermo-nuclear fusion technology programme.

It also included a revision of the estimates of staff costs and its combined effect was a further reduction in the forecasts for Joint Research Centre expenditure by 977,685 u.a. in payments.

In the draft supplementary and amending budget no. 1, drawn up by Council on 21 June 1977 (after considerable delays), the Council deleted all changes to Chapter 33 and consequently any revisions to research appropriations.

(1) COM (77) 95 final.

(2) OJ L 10, 13 January 1977.

(3) Letter of 1 April 1977, COM (77) 180.

3. The European Parliament, in its report on the supplementary budget,⁽¹⁾ which criticised the delays in the supplementary budget procedure, stated its disapproval of the failure of Council to agree to changes in the research sector:

"7. Regrets the failure of Council to agree to revised research appropriations, thus causing further delays in the execution of Community research projects."

As a consequence of these difficulties, the Commission brought forward a transfer.

All these various initiatives from the Commission, supported by the European Parliament, did not succeed in overcoming the opposition within Council to any attempt to correct the anomalies that had arisen within the research sector of the budget as a result of Council's own indecision.

Contents of the draft amending budget No. 2

4. Much later in the financial year, the Council has drawn up a draft amending budget no. 2, concerning exclusively certain revisions for Chapter 33, "Expenditure on research and investment", and which are based on the original proposals of the Commission and its preliminary draft supplementary budget no. 1.

This draft budget was drawn up in the middle of October 1977 and the first opportunity for Parliament to examine it is at its plenary session in November.

A summary of the financial changes in the amending budget is contained in the following table:

(1) Doc. 202/77

CHAPTER 33

Appropriations for Research and Investment

	Appropriations to be found in 1977 Budget ⁽¹⁾ (in mua)		Appropriations entered in Draft Amending Budget No. 2 (in mua)		Difference (in mua)	
	Commitment Appropriations	Payment Appropriations	Commitment Appropriations	Payment Appropriations	Commitment Appropriations	Payment Appropriations
	Direct action (JRC)	107,999	98,441	99,413	96,506	- 8,586
Indirect action	101,861	81,496	79,635	80,964	-22,226	- 532
Eximbank	3,400	3,400	3,400	3,400	-	-
TOTAL	213,260	183,337	182,448	180,870	-30,812	- 2,467

⁽¹⁾ OJ No. L 79/1977

5. As in the case of the preliminary draft, the principal elements in this draft result from changes in staff costs, the adoption of the multi-annual programme in the field of scientific and technical education and training (in December 1976) and the decision on the research programme for 1977-1980 for the Joint Research Centre.

Extra changes result from the deletion of one or two headings, where proposals from the Commission have not been forthcoming (programmes for the reprocessing of irradiated fuel, phasing out of nuclear installations), together with the further delays in certain decisions, most notably that for the JET project.

6. All together some forty budgetary items are amended in either payments or commitments. This is not counting the sub-items - changes to which are recorded in Annex I giving the amended statement of revenue and expenditure.

Since the drawing up of the draft, Council has at last agreed upon the site for the proposed Joint European Torus project. This ought to enable the Commission to proceed to commit the necessary expenditure during the course of 1977. On this specific point the draft budget is still not yet definitive.

Remarks of the Committee on Budgets

7. Two consistent themes of the Committee on Budgets are highlighted in the problems relating to the draft amending budget; first, our attitude to supplementary budgets and, second, our desire for greater budgetary clarity in the research sector.

8. As regards our attitude to supplementary and amending budgets, it is clearly intolerable that an amending budget should be produced at such a late stage in the year, thus reducing the opportunities for the budgetary authority to examine the proposals.

Unfortunately, whilst the responsibility for this situation is exclusively Council's, were Parliament to use its power of rejection in this field, the party which would be worst affected would be the Commission, and the research activities of the Community would suffer.

It seems to your rapporteur that, for the 1978 financial year, a clear statement should be made to the other Institutions that no amending or supplementary budget could be accepted after 1 October. This attitude would be in line with the restrictions on transfers after 15 November of any financial year.

9. In this instance, it is clear that this particular budget was avoidable, had the Council acted on the preliminary draft supplementary budget no. 1. All the expenditure is foreseeable, and indeed, was foreseen in the 1977 budget. It is clear that the most appropriate procedure as regards research, is to place expenditure on the line during the budgetary procedure with the use of the freezing mechanism where appropriate - in cases of doubt by the budgetary authority as to the details of the proposal.

All the changes in appropriations are the result of delayed decisions within Council which have made certain appropriations unnecessary. It is clear that the delay in the approval of the Joint Research Centre programme was the major element and this delay was intolerable, given that the programme was not adopted until after the beginning of the first year of its supposed operation.

The Council must understand that there must be synchronization between its budgetary and legislative activities so that this hiatus is avoided in the future.

10. As regards the presentation of the research Chapter of the budget, it is disturbing that the appropriations should be subject to almost constant revision. This is not a matter for political assessment - it is a purely technical operation. The division of this Chapter into Articles, items and so many sub-items has become so rigid that the attempt to achieve budgetary clarity has failed by excess.

This was seen during the course of the 1978 budgetary procedure, when there was a multiplicity of amendments to sub-items of the budget, largely beyond the comprehension of the most assiduous budget-watcher.

11. Further, it is totally inappropriate that commitments should be entered on the line in the way that they are presented in this draft amending budget and in the 1978 budget.

Your rapporteur would suggest that these items should be examined by the ad hoc working group on certain budgetary matters.

12. The principal point of concern to your rapporteur is that this draft budget is still not definitive. It is an indictment of Council that five-sixths of the way through the financial year the figures provided for in the budget are still not operational and definitive. It seems to the Committee on Budgets that it would not be consistent with its responsibilities if it were to approve an amending budget with appropriations still entered against provisional appropriations, for projects which have been decided upon.

13. Accordingly, at the meeting of the Committee on Budgets on November 2 1977, the Commission was asked to submit a Letter of Amendment to the draft. Whilst waiting for this Letter of Amendment, it is nonetheless a reasonable assumption that Council will not have drawn up its letter to the draft in time for the November part-session. Any further delay in the budgetary procedure would not enable the Commission to commit appropriations before the middle of December, i.e. too late to put into effect for 1977.

14. Confronted with this dilemma, which is in no way of its own making, the European Parliament has no choice but to confront the Council with its own responsibilities. On the one hand, the European Parliament would not be prepared to adopt a budget which is not an accurate statement of revenue and expenditure for the remaining days of 1977. On the other hand, it does not wish to jeopardise the implementation of research programmes.

15. Therefore, your Rapporteur suggests that the European Parliament should amend the amending budget by the customary means in order to break down appropriations for the JET project by transfer from the provisional chapters. However, it should insist that Council should not invoke a second reading procedure through some largely technical disagreement with this amendment and Parliament should at the same time, and subject to Council's agreement, adopt the budget. Only in this way can the principles of annuality and transparency of the budget be maintained and only in this way can the budgetary rights of Parliament be guaranteed.

16. The responsibility therefore lies with Council and should it in any way depart from Parliament's amendments, which merely put into effect Council's decisions, then the further difficulties for the research activities of the Community can fairly be laid at Council's door.

Conclusions

17. Despite the fact that the conditions for the rejection of this amending draft are fulfilled given that the changes involved should not have arisen, and would not have arisen had Council taken basic decisions on programmes at the appropriate time, it is felt that the rejection of this draft would further damage research activities of the Community and would make the Commission's tasks more difficult.

18. The Committee on Budgets insists that, for the 1978 financial year, a deadline of 1 October be set for the drawing up of any supplementary or amending budgets which, it repeats, should only be tabled where urgent, unforeseeable and necessary.

19. As regards the research sector of the budget, a renewed effort is required to improve clarity so that the budgetary authority is not constantly called to pronounce on matters of purely technical interest.

20. In view of the fact that Council has subsequently approved the site of the JET, it is now necessary to put into effect that programme by transferring appropriations from the provisional chapters and breaking them down on the operational lines of the budget. This it is proposed to do by means of amendment.

21. In order to avoid further delays which might jeopardise once more research activities, Council is invited to agree to Parliament's amendments at the first reading, thus obviating the need for a second stage of the budgetary procedure.

