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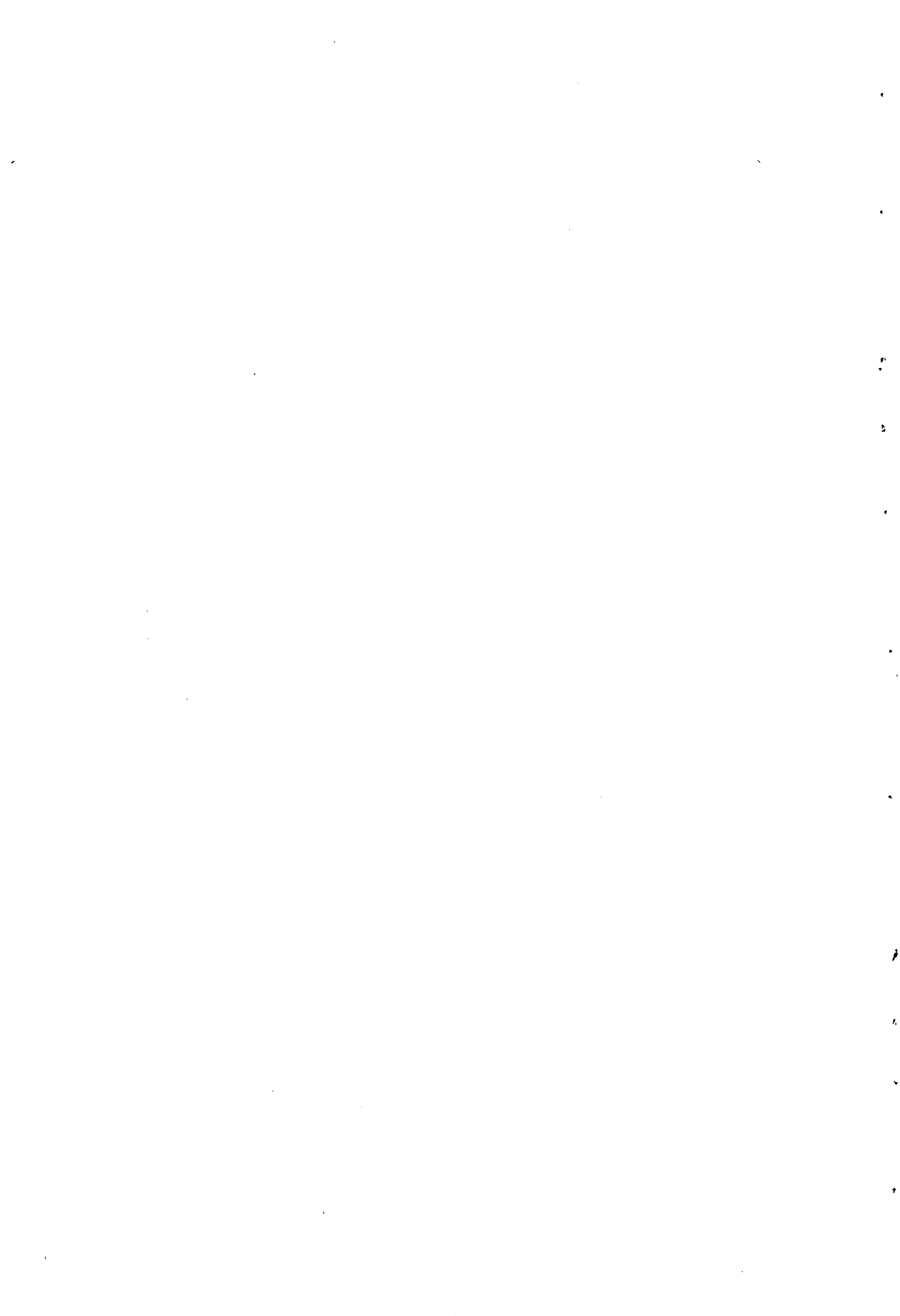
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Report

drawn up on behalf of the Committee on Budgets
on the/second list of requests to carry forward
appropriations from the financial year 1975 to
the financial year 1976 (appropriations not
carried forward automatically) (Doc. 159/76)

Rapporteur: Mr H. AIGNER

PE 44.890/fin.



By letter of 3 June 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 6 (2) of the Financial Regulation to deliver an opinion on the proposal from the Commission of the European Communities to the Council concerning the non-automatic carry forward of appropriations from the financial year 1975 to the financial year 1976.

On 14 June 1976 the President of the European Parliament referred this proposal to the Committee on Budgets.

On 5 July 1976 the Committee on Budgets confirmed its appointment of Mr Aigner as rapporteur.

At the same meeting the committee examined this proposal and unanimously adopted it together with the explanatory statement.

Present: Mr Lange, chairman and acting rapporteur; Mr Artzinger, Lord Bruce of Donington, Mr Cointat, Mr Dalyell, Mr Fletcher, Mr Lautenschlager, Mr Memmel (deputizing for Mr Früh), Mr Notenboom, Mr Patijn, Mr Radoux, Mr Shaw, Mr Suck, Mr Terrenoire, Mr van der Mei (deputizing for Mr Galli), Mr Vandewiele (deputizing for Mr Mursch).

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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 second list of requests to carry forward appropriations from the financial year 1975 to the financial year 1976 (appropriations not carried forward automatically)

The European Parliament,

- having regard to the list submitted by the Commission of the European Communities to the Council (COM(76) 258),
 - having been consulted by the Council pursuant to Article 6(2) of the Financial Regulation¹ of the European Communities (Doc. 159/76),
 - having regard to the report of the Committee on Budgets (Doc. 218/76),
1. Reiterates the view it expressed in resolutions on this matter in previous years² and in the resolution on the first list of requests for the non-automatic carrying forward of appropriations to the financial year 1976³, namely that, while such requests may be a necessary part of flexible financial management, they should nevertheless be of an exceptional character;
 2. Recalls its earlier expression of concern as regards the possible danger which the abuse of the carry-forward procedure could pose for Parliament's role in the budgetary sphere⁴;
 3. Draws particular attention in this connection to the following points:
 - the carrying forward of appropriations causes an implicit accumulation in the following budget of expenditure residues which are not evident from the budget itself,
 - such a procedure impairs budgetary transparency, and
 - the expenditure residues not only give rise to problems of approval, but also make the auditing of accounts more difficult;

¹ OJ No. L 116, 1.5.1973

² Most recently in OJ No. C 128, 9.6.1975 and OJ No. C 157, 14.7.1975

³ OJ No.

⁴ OJ No. C 157, 14.7.1975, p. 95

4. Declares that it will make a very careful study of those aspects of the proposed new version of the Financial Regulation of 25 April 1973 relating to the introduction of a system of commitment authorizations with a view to assessing the need to continue with the system of non-automatic carry forwards;
5. Deplores the Commission's failure this year to meet the deadline laid down by Article 6(2) of the Financial Regulation;
6. Approves the non-automatic carrying forward of appropriations pursuant to Article 6(1)(b) of the Financial Regulation amounting to:
 - (a) 386,842 u.a. (Chapter 27 'Expenditure on Publishing and Information', Article 270) in respect of the 'Commission' Section of the budget,
 - (b) 2,434,288.36 u.a. (Chapter 33 'Expenditure on research and investment', Article 330) in respect of the 'Commission' Section,
 - (c) 8,078,079.99 u.a. (Chapter 53 'Social Fund - expenditure provided for under Article 125(1)(a) of the EEC Treaty', Article 530) in respect of the 'Commission' Section, and
 - (d) 5,688,606.68 u.a. (Chapter 92 'Food aid in the form of cereals', item 9201, 1975 Programme) in respect of the 'Commission' Section;
7. Approves, therefore, all the requests to carry forward appropriations from the financial year 1975 to the financial year 1976 (appropriations not carried forward automatically) which, together with those in the first list, which were dealt with in a separate motion for a resolution, amount to 140,891,276.34 u.a. in respect of the 'Commission' Section of the budget and 20,000 u.a. in respect of Annex I (Economic and Social Committee) of the 'Council' Section;
8. Welcomes the percentage decrease - in terms of the 1976 budget as a whole - in the carrying forward of appropriations;
9. Will devote further attention to the question of carry forwards, especially those aspects relating to the control of expenditure and multi-year budgeting, in the context of its deliberations on the proposal for a regulation amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities.

EXPLANATORY STATEMENTProcedure

1. Pursuant to Article 6(1) of the current Financial Regulation applicable to the general budget of the European Communities, the following may be carried forward to the next financial year:

- (a) appropriations for payments still outstanding as at 31 December for commitments entered into after 15 December in respect of the supply of goods and services (first alternative),
- (b) appropriations still unused as at 31 December (second alternative).

2. Paragraph 2 of this Article stipulates that the Commission shall submit requests for carry forwards before 1 May. Should the Council, acting by a qualified majority after consulting the Parliament, fail to take a contrary decision within a month, the carrying forward of these appropriations is deemed to be accepted.

3. The same paragraph stipulates that the Commission shall also forward these requests to the European Parliament before 1 May. It is regrettable that the Commission did not fulfil its legal obligation this year until 31 May 1976, i.e. one month late.

Carry forwards and commitment authorizations

4. The first alternative mentioned in paragraph 1 above is intended as a safeguard against ill-considered expenditure shortly before the end of the accounting year, i.e. against a situation where inadequate attention is paid to the justification for such expenditure and the need for economy. However, carry forwards which are easy to arrange do not in fact eliminate this type of expenditure, sometimes referred to as 'Christmas fever'.

5. The second alternative relates to appropriations still unused as at 31 December. The fact that these can be carried forward to the next financial year has already been criticized many times by the European Parliament¹.

¹ Most recently in the SHAW report on the second list of requests to carry forward appropriations from the financial year 1974 to the financial year 1975 (appropriations not carried forward automatically) (Doc. 143/75 of 16.6.1975) and the COINTAT report on the Inter-institutional dialogue on certain budgetary questions (Doc. 97/76).

6. The carry-forward system is generally justified on the grounds that the preparation of new estimates is often difficult since it is not possible, when the budget is established, to forecast accurately what appropriations will still be wholly or partially required at the end of the accounting year. If it were not possible to carry forward appropriations estimates would, as a precaution, be too high rather than too low to ensure that adequate funds are available. From this point of view the carry-forward solution is regarded as a prerequisite for the sparing use of appropriations.

7. This classic explanation is not convincing since a comparable effect can also be achieved by estimating appropriate commitment authorizations. Thus, it is clear that the need for carry-overs could be completely eliminated by introducing a system of commitment authorizations when the Financial Regulation is revised. The systematic use of commitment authorizations would make it easier to keep earmarked appropriations which have not been used at the end of an accounting year available for the expenditure specified if, during the course of the financial year, this has been lower than anticipated.

8. However, without going into details and without anticipating the opinion of the European Parliament, it should be said that, despite the general introduction of commitment authorizations, the proposed new version of Article 6 of the future Financial Regulation still seems to permit the carrying forward of appropriations, albeit to a somewhat smaller extent.

Carry-forwards on the second list

10. The non-automatic carry-forwards on the second list are as follows:

- (a) 386,842 u.a. (Chapter 27 'Expenditure on publishing and information', Article 270) in respect of the 'Commission' Section.

In the course of the implementation of the budget it became apparent that the appropriations entered under Article 270 were inadequate. After transfers within Chapter 27 it became necessary to resort also to Chapter 99 for further appropriations. Since the necessary decision of the budgetary authority was not taken until 18 December 1975, these commitments could not be entered into the accounts until after that date, hence the request for the carrying-forward of appropriations to the financial year 1976.

- (b) 2,434,288.36 u.a. (Chapter 33 'Expenditure on research and investment', Article 330) in respect of the 'Commission' Section.

These appropriations are for payments in the financial year 1976 which would not otherwise be covered in the 1976 budget. It was not possible to use supplementary budget No. 3 for 1975 since this was not decided on until 3 December 1975.

- (c) 8,078,079.99 u.a. (Chapter 53 'Social Fund - expenditure provided for under Article 125(1) (a) of the EEC Treaty', Article 530) in respect of the 'Commission' Section.

The appropriations for these measures have been cut back year by year. A further 3,160,000 u.a. was also deducted in supplementary budget No. 3, leaving an expenditure residue of 8,078,079.99 u.a., to be used essentially for one important measure.

- (d) 5,688,606.68 u.a. (Chapter 92 'Food aid in the form of cereals', Item 9201, 1975 programme) in respect of the 'Commission' Section.

Expenditure was not as rapid as expected, in particular because the Council delayed in releasing certain reserves, e.g. for the Sahel Zone. The requested carrying-forward of 5.69 m u.a., a transfer of 5.63 m u.a. from the EAGGF to Item 9200 of the 1976 budget and a transfer of 6.5 m u.a. within Item 9201 of the 1976 budget should see the 1976 programme through with 7.82 million units of account. An estimated 5 million units of account, which the Commission intends to include in the 1977 budget, will be needed to close the account in 1977.

11. The above represents a total carry-over of 16,587,817.03 u.a. in the second list.

12. The Committee on Budgets considered the requests and their justifications and noted that there had been a considerable reduction in comparison with previous years and that the individual requests were essentially of an exceptional character. It was therefore able to approve the carry forwards.

Total non-automatic carry-forwards for 1975-1976

13. The carry forwards in the first list, which the European Parliament approved on ¹ amounted to:

- (a) 20,000 u.a. in accordance with Article 6(1) (b) of the Financial Regulation in respect of Annex I - Economic and Social Committee - of the 'Council' Section of the budget
- (b) 124,303,459.31 u.a. in accordance with Article 6(1) (b) of the Financial Regulation in respect of the 'Commission' Section of the budget and

¹ AIGNER report (Doc. 98/76: Resolution of

(c) 71,227,243.06 u.a. in accordance with Article 6(5), second paragraph, of the Financial Regulation, also in respect of the 'Commission' Section of the budget.

14. This gives a total figure of 140,911,276.34 u.a. for non-automatic carry forwards from the financial year 1975 to the financial year 1976. Apart from 20,000 u.a. for the 'Council' Section, this sum is intended exclusively for the 'Commission' Section of the budget.

15. These carry-forwards amount to 1.9% of the total budget for 1976.

This represents a considerable reduction in carry forwards:

| Non-automatic carry forwards | in million u.a. | % |
|---------------------------------|-----------------|------|
| 1973-1974 | 388.3 | 7.6 |
| 1974-1975 | 601.3 | 10.4 |
| 1975-1976 | 140.9 | 1.9 |

16. The Committee on Budgets welcomes this reduction. It also hopes that with the introduction of a system of commitment authorizations in the new Financial Regulation, this type of non-automatic carrying forward will finally become a thing of the past.