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Report

drawn up on behalf of the Committee on
Budgetary Control

on the ~~implementation~~ of the 1979 budget
(financial situation of the Communities
on 31 December 1979)

(Doc. 1-76/80)

Rapporteur: Mr H. AIGNER

COMMUNITY
SERVICES
WASHINGTON, D. C.

By letter of 1 April 1980, the Commission of the European Communities forwarded to the European Parliament the report on the financial situation of the European Communities on 31 December 1979.

On 14 April 1980, the President of the European Parliament referred this report to the Committee on Budgetary Control.

On 27 May 1980, the Committee on Budgetary Control appointed Mr Aigner rapporteur.

At its meeting of 23 June 1980 the Committee on Budgetary Control unanimously adopted the motion for a resolution.

Present: Mr Aigner, chairman and rapporteur; Mr Balfe, Mr Battersby, Mr Colla, Mr Coppieters (deputizing for Mr Bande), Mr Gouthier, Mr Kellett-Bowman and Mr Simonnet.

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

MOTION FOR A RESOLUTION

on the implementation of the 1979 budget (financial situation of the European Communities on 31 December 1979)

The European Parliament,

- having regard to the Financial Regulation and in particular Article 29 thereof,
- having regard to the financial situation of the European Communities on 31 December 1979, and in particular the section relating to Commission expenditure (Doc. 1-76/80),

considering that it is important that political control over the implementation of appropriations voted in the budget should be as up-to-date as possible,

considering that the analysis of the results of a particular budget provides valuable information for future budgetary decisions,

- having regard to the report of the Committee on Budgetary Control (Doc. 1-275/80),

1. Is compelled to point out that, during the 1979 financial year,

(a) the unsuitability of the administrative structures and the procedures in the Member States again substantially impeded the utilization of payment appropriations in respect of

- the Social Fund (Article 500 - agricultural and textile sectors; Article 505 - measures to help women; Chapter 52 - pilot schemes);
- the Regional Fund (33.1% of the payment appropriations for the financial year were utilized);
- certain EAGGF, Guidance Section, measures (Article 811 - cessation of farming; Item 8322 - reorganization of fruit production; Item 8350 - conversion premium (wine sector); Article 853 - citrus fruit);
- financial and technical cooperation with the non-associated developing countries;

(b) although there was some improvement with regard to the previous year, the lack of coordination between legislative and budgetary decisions led to substantial carry-overs or cancellations of funds for :

- energy policy (Item 3201 - joint projects in prospecting for hydrocarbons; Article 324 - demonstration projects);
- the non-quota section of the Regional Fund (no appropriations were utilized);
- EAGGF, Guidance Section - common measures concerning agricultural infrastructures;
- measures in the scientific and technical field (Article 362);
- food aid;

the Commission must bear particular responsibility for the failure to implement appropriations relating to :

- the reorganization and redevelopment of crisis-hit sectors (Item 3750) (no part of the allocation for the financial year was utilized);
- the social consequences of industrial conversion (Article 512) (no appropriations were utilized);
- financial cooperation with the non-associated developing countries (2.19% of the payment appropriations for the financial year were utilized);

(c) the rate of utilization of appropriations for the following measures was overestimated when the budgetary decision was taken, as a result of the failure to take account of a substantial volume of appropriations to be carried over:

- Social Fund commitment appropriations, which were increased during the year by cancellations and commitments from previous financial years remaining to be cleared;
- Regional Fund payment appropriations, which were supplemented during the year by carry-overs;
- technological development projects in the hydrocarbons sector;
- EAGGF, Guidance Section measures for the marketing and processing of agricultural products (Article 821) and for citrus fruit (Article 853);

(d) administrative difficulties within the Commission resulted in substantial delays in

- individual projects under the EAGGF, Guidance Section;

2. Stresses that the percentages indicated by the Commission in the document on the financial situation on 31 December 1979 in general relate both to appropriations for the financial year 1979 and to

appropriations carried over and that the rate of utilization of the appropriations for the financial year, which is more significant from the budgetary authority's point of view, is in fact lower than the Commission's figures suggest;

3. Must point out that

- (a) responsibility for the low rate of utilization of appropriations lies in the first instance with the Commission, which is assigned by the Treaty the task of implementing the budget;
- (b) this responsibility is heightened to the extent that the Commission did not consult Parliament, on the basis of specific communications, about the difficulties it was encountering;
- (c) the Council, by not taking the legislative decisions which are a necessary consequence of the entering of appropriations, particularly where these concern new policies, is failing in its duty, disregarding the budgetary powers of Parliament and hampering the implementation of the Community budget drawn up jointly by the institutions;

4. Will devote particular attention, during the discharge procedure for 1979, to consideration of the management of EAGGF, Guarantee Section, appropriations, and above all :

- (a) the arrangements for informing the Commission of market movements and the way it reacts to them with regard to the management of the EAGGF;
- (b) the extent to which the Commission and the national bodies comply with the limits on appropriations decided by the budgetary authority;

5. Instructs its appropriate committees

- (a) within the context of future budgetary procedures to envisage solutions which the Commission must adopt to correct these shortcomings;
- (b) to accompany proposals for new appropriations by directives relating to their implementation and, where these directives cannot be applied immediately, to adjust the budgetary proposals accordingly.

EXPLANATORY STATEMENT

The Committee on Budgetary Control instructed its chairman to prepare an analysis of the results of the implementation of the 1979 budget¹ to be forwarded to the committees concerned, with a view in particular to clarifying the situation for the forthcoming budget debates. This document will be supplemented, as soon as the results are available, by an analysis of the implementation of the EAGGF appropriations and, if necessary, by a report on the implementation of the appropriations for the first half of 1980.

In general, the level of implementation of the 1979 budget appropriations was slightly higher than in previous financial years, particularly with regard to commitments. This trend would seem to be largely due to pressure from Parliament for the implementation of the budget to comply more closely with the objectives laid down by the budgetary authority.

However, the difficulties encountered in previous years are still in evidence and a considerable volume of appropriations was not implemented as a result of problems connected with the structure of Community financing. The appropriations to be entered in future budgets should clearly be directly linked to the prospects for resolving these problems.

I. Difficulties connected with the administrative structures and the unsuitability of the procedures in the Member States

This is a source of serious problems for the Community institutions, in view of the extremely limited scope for adapting Community regulations to national administrative structures and procedures, if only because the latter vary so widely. Experience has shown that any system of advance or accelerated payments is only partly effective. Difficulties of this kind usually lead to a high level of non-utilization of payment appropriations, since too few applications are submitted by the national authorities.

The sectors affected by these problems are:

A. The Social Fund

Although the rate of utilization of the payment appropriations allocated to the Social Fund showed a considerable increase over 1978 (56% of the appropriations for the financial year were paid in 1979 as compared with

¹ On the basis of the documents submitted by the Commission.

44.4% in 1978¹), it was impeded by the small number of applications, in particular with regard to:

- Article 500: agricultural and textile sectors
- Article 505: measures to help women
- Chapter 52: pilot schemes.

B. The Regional Fund

The system of accelerated payments brought about a substantial improvement in the rate of utilization of Regional Fund appropriations (Chapter 55) in 1979, although it relates principally to payments made from appropriations carried over. With regard to the utilization of the payment appropriations for the financial year, the increase for Chapter 55 over the previous financial year is negligible (1978: 32.7%; 1979: 33.1%). The Commission attributes these delays primarily to the lack of applications for payment from certain Member States.

C. EAGGF, Guidance Section

For several years now there has been a low rate of utilization of appropriations - in general both commitment and payment appropriations - for some measures under the EAGGF, Guidance Section, as a result of the failure of certain Member States to submit applications. There was little change in 1979:

- Article 811: cessation of farming

	Rate of utilization of appropriations	
	commitments	payments
1978	36%	36%
1979	22%	29%

¹ A much greater increase results if account is taken of appropriations carried over (1978: 48.7%; 1979: 71.8%), but in this context the rate of utilization of the appropriations for the financial year is more significant.

- Item 8322: reorganization of fruit production

	Rate of utilization of appropriations	
	commitments	payments
1978	79%	79%
1979	12%	12%

- Item 8350: conversion premium

	Rate of utilization of appropriations	
	commitments	payments
1978	62%	30%
1979	62%	25%

- Article 853: citrus fruit

	Rate of utilization of appropriations	
	commitments	payments
1978	21%	21%
1979	28%	28%

D. Financial and technical cooperation with the non-associated developing countries (Article 930)

The low rate of utilization of appropriations under Article 930 is a permanent feature, although the reasons for the delays vary. Whereas the low rate of implementation of commitments is attributable to political problems connected with inter-institutional relations, delays in payments are not only a side-effect of the commitments situation but also result from the slow rate at which the beneficiary countries implement the projects financed in this way and from the difficulties encountered by the Commission in monitoring and speeding up their implementation.

The rate of implementation of payment appropriations for the financial year showed a further decline in 1979:

(1978: 7.6%; 1979: 2.1%).

II. Political problems in respect of inter-institutional relations

These difficulties result primarily from the fact that political power is distributed differently in the budgetary and legislative sectors, and that as a result there is a lack of coordination between decisions taken in these two fields.

This means that the prevarication and delaying tactics used by the Council in exercising the legislative powers assigned to it by the Treaty, or which it has claimed for itself, impede the utilization of appropriations entered in the budget by the budgetary authority.

This inter-institutional problem also concerns the Commission which, as the body with political responsibility for the implementation of appropriations, has a duty to ensure that it can exercise its powers to the full.

The measures most affected by these difficulties in 1979 are as follows:

A. Energy policy

- joint projects in prospecting for hydrocarbons (Item 3201):

Since the Council has not yet taken a decision on the proposal for a regulation submitted by the Commission in 1974, the latter feels unable to implement the appropriations carried over from previous financial years. However, this 'lack of a legal basis' did not prevent the Commission from using part of these appropriations to finance a project in Greenland, which was first approved by the Council.

- demonstration projects under the Community energy programme (Article 324):

The rate of utilization of appropriations for Items 3240 and 3241 is particularly low:

	commitments	payments
Item 3240	34%	10%
Item 3241	70%	23%

The Commission attributes the situation to delays in the Council. The relevant procedure, which is extremely cumbersome, gives the Council powers which encroach both on the Commission's power to implement the budget and on the budgetary authority's power to fix the volume of appropriations.

B. Regional policy

None of the appropriations allocated to the non-quota section of the Regional Fund were used in 1979 as a result of the extremely unwieldy nature of the relevant procedure.

C. Food aid

As in previous years, the accounts relating to commitments and appropriations give a distorted picture of the transactions which were actually carried out. In terms of quantities of products allocated to food aid the implementation of the annual programmes is still very unsatisfactory, a situation which the Commission attributes to the procedures used by the Community and the Member States.

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The Commission has more even greater direct responsibility for the following two sectors:

D. Reorganization and redevelopment of certain crisis-hit industrial sectors

Appropriations were voted as long ago as 1978 for this particularly urgent task.

Although the budget remarks did not refer to the need for a regulation to implement these appropriations but only to the Community's sectoral guidelines, the Commission refused to use the appropriations available until the Council adopted a 'legal basis'. Thus only the appropriations carried over were partly utilized.

E. Financial and technical cooperation with the non-associated developing countries

As early as 1976 Parliament entered appropriations for this purpose on the understanding that the Commission would utilize them on the sole basis of its responsibility for implementing the budget. Over the years, however, the Commission has requested the Council for 'informal' approval for each of the projects to be financed. This attitude, which the Commission attempts to justify by 'the absence of a regulation defining the objectives and procedures' resulted again in 1979 in a particularly low rate of utilization of the appropriations for the financial year (2.19% in payments).

III. Overestimate of the appropriations to be entered in the 1979 budget

The Commission attributes the low rate of utilization of appropriations under certain budgetary headings to the fact that the request for appropriations and consequently the appropriations actually entered exceeded real requirements. This relates in particular to :

A. Social Fund commitment appropriations

An amount of 49 million EUA remained unused in 1979. The original allocation was in fact increased by a similar sum resulting from cancellations in respect of 1978 appropriations and from the reassessment of commitments from previous financial years remaining to be cleared.

B. Regional Fund payment appropriations

According to the Commission the payment appropriations actually carried over exceeded by 200 million EUA the amount envisaged when the 1979 budget was established, resulting in a decline in the rate of utilization of the appropriations for the financial year.

C. Technological development projects in the hydrocarbons sector

Here too, the over-estimation of requirements some years ago is deemed to be partly responsible for the low rate of utilization of payment appropriations.

D. EAGGF, Guidance Section : marketing and processing of agricultural products - citrus fruit

The Commission attributes the low rate of utilization of payment appropriations under Item 8210 to the fact that the appropriations for the financial year were supplemented by a substantial carry-over, which the budgetary authority failed to take into account. The carry-overs relating to Article 853, which were also substantial, are apparently due to the fact that one of the Member States overestimated at the outset the possibilities of utilization.

IV. Administrative problems within the Commission

Although in previous years difficulties of this kind were mentioned in connection with the Social and Regional Funds, the Commission no longer refers to them as a cause of the low rate of utilization of appropriations except in connection with individual projects under the EAGGF, Guidance Section.

