

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 306 final

Brussels, 11 June 1981

Proposal for a
FINANCIAL REGULATION
amending the Financial Regulation of 21 December 1977 applicable
to the general budget of the European Communities
(ECSC, EEC, EURATOM)

(submitted to the Council by the Commission)

COM(81) 306 final

EXPLANATORY MEMORANDUM

The general budget of the European Communities has increased in size over the years and has now become the centre of attention within the Community, for reasons which are well-known. Neither the structure nor the nomenclature of the budget is entirely satisfactory as far as appropriations entered in the present Section III (appropriations administered by the Commission) are concerned.

The present nomenclature is less than satisfactory for three reasons :

- firstly, it has developed piecemeal, new activities being added gradually without any attempt being made to devise a rational, uniform presentation. In a sense it is the product of a long budgetary experience during which programmes accumulated without any genuine attempt being made to classify them in line with well-defined technical or political criteria ;
- secondly - and this is the most important aspect - there is plenty of room for improving transparency. It is essential that the budget should be presented in such a way that the financial incidence of the different policies is immediately clear.
- finally, given developments with regard to appropriations for operations under the different policies, the number of headings provided by the present nomenclature has become inadequate.

For these reasons the need for an overhaul of the structure and nomenclature of the budget has become more and more apparent in recent years. Parliament in particular has urged reform on numerous occasions.

This being so, the time has come to propose the following changes which would apply to establishment of the budget for 1982 :

- the present Section III would be reserved for administrative appropriations, putting it on the same footing as the separate sections for each of the other institutions ;
- a new Section VI would be created to cover operating appropriations, that is to say, appropriations earmarked for operations under the various policies.

The main purpose of the nomenclature for this new section is to ensure immediate transparency. Rearrangement of items makes it possible to assess the incidence of the various policies at a glance.

It should be stressed that the new nomenclature represents a definite improvement as regards technical and political presentation of the budget. It should facilitate its assessment by the budgetary authority and the general public alike.

The implications of the revised nomenclature, down to chapter level, are set out in the Annex :

1. the new structure allows more scope for presentation of Community policies: the creation of a new Section VI for operating appropriations makes it possible to expand items hitherto contained in seven budget titles to cover nine titles ;
2. the new structure improves budget transparency by reinforcing the specialization principle ;
3. the new structure represents a more logical arrangement of appropriations relating to the various Community policies.

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SECTION III - COMMISSION
ADMINISTRATIVE APPROPRIATIONS

1982 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
Chap. 101	Contingency reserve	Chap. 101	
Chap. 102	Reserve to cover any shortfall in appropriations converted into national currencies resulting from the difference between the ECU conversion rates used when the budget is drawn up and the conversion rates obtaining at the time of implementation	Chap. 102	

SECTION VI - COMMISSION

OPERATING APPROPRIATIONS

1982 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
<u>TITLES 1 AND 2</u>	EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND - GUARANTEE SECTION	<u>TITLES 6 AND 7</u>	
Chap. 10	Cereals and rice	Chap. 60 and 61	Less Items 6001, 6002, 6012, 6101 and 6102
Chap. 11	Sugar and isoglucose	Chap. 64	Less Items 6401, 6402 and 6410
Chap. 12	Olive oil	Chap. 63	Less Articles 632, 633, 634 and 635
Chap. 13	Oilseeds and protein plants	Art. 632 Art. 633 Art. 634 Art. 635 Art. 734 Art. 737 Art. 739(part)	
Chap. 14	Textile plants and silkworms	Chap. 73	Less Articles 731, 737 and 739 (part)
Chap. 15	Fruit and vegetables	Chap. 68	
Chap. 16	Wine	Chap. 69	
Chap. 17	Tobacco	Chap. 70	
Chap. 18	Other sectors or products subject to common organization of the market	Chap. 73 and 72	Less Articles 730, 733, 734, 736, 737 and 739 (part)
Chap. 20	Milk and milk products	Chap. 62	Less Items 6201, 6202, 6203 and 6204
Chap. 21	Beef and veal	Chap. 65	Less Item 6501
Chap. 22	Sheepmeat and goatmeat	Chap. 71	
Chap. 23	Pigmeat	Chap. 66	
Chap. 24	Eggs and poultrymeat	Chap. 67	
Chap. 25	Refunds on certain goods obtained by processing agricultural products	Chap. 74 and Item 6012	

1982 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
Chap. 27	Accession compensatory amounts granted in intra-Community trade	Chap. 75	
Chap. 28	Monetary compensatory amounts levied or paid in trade in agricultural products	Chap. 78	
Chap. 29	Provisional appropriations for the EAGGF Guarantee Section	Chap. 79	
<u>TITLE 3</u>	<u>APPROPRIATIONS FOR OPERATIONS IN THE FISHERIES SECTOR</u>	<u>TITLE 8</u>	Less Chapters 80, 81, 82 and 83
Chap. 30	Common organization of the market in fishery products	Chap. 88	This chapter appears at the beginning of this title to ensure continuity with the Guarantee Section (see above)
Chap. 31	Specific measures in the fisheries and marine sector	Chap. 87	Less Article 870
Chap. 32	Community responsibility for certain financial obligations arising from agreements on fishing rights in non-Community waters	Chap. 89	
Chap. 35	Measures to improve fisheries structures: measures to adjust and redeploy capacity	Art. 870	
Chap. 36	Measures to improve fisheries structures: common measures	Chap. 86	This chapter appears at the end of this title to ensure continuity with the Guidance Section (see below)
<u>TITLE 4</u>	<u>EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND - GUIDANCE SECTION AND SPECIFIC MEASURES IN AGRICULTURE</u>	<u>TITLE 8</u>	Less Chapters 86, 87 and 88
Chap. 40	Projects for the improvement of agricultural structures	Chap. 80	Less Article 802
Chap. 41	General socio-structural measures	Chap. 81	
Chap. 42	Measures to assist less-favoured regions	Chap. 82	Plus Article 802

1982 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
Chap. 43	Structural measures connected with the common organization of markets	Chap. 33	Less Chapters 50, 51, 52, 54 and 59 } Regional Fund
Chap. 48	Expenditure in the agricultural sector	Chap. 31	
<u>TITLE 5</u>	APPROPRIATIONS FOR OPERATIONS IN THE REGIONAL SECTOR	<u>TITLE 5</u>	
Chap. 50	European Regional Development Fund - Community action in support of national regional policies	Chap. 55	
Chap. 51	European Regional Development Fund - specific Community measures	Chap. 56	
Chap. 52	Measures to reduce economic disparities in the Community in the context of the European Monetary System	Chap. 57	
Article 520	Interest rate subsidies on Community loans to the less prosperous Member States participating in the European Monetary System	Art. 570	
Chap. 53	Supplementary measures in favour of the United Kingdom	Chap. 58	
Chap. 54	Other regional policy expenditure	Art. 266 and 561	
<u>TITLE 6</u>	APPROPRIATIONS FOR OPERATIONS IN THE SOCIAL SECTOR	<u>TITLE 5</u>	
Chap. 60	Expenditure under Article 4 of the Council Decision of 1 February 1971	Chap. 50	
Chap. 61	Expenditure under Article 5 of the Council Decision of 1 February 1971	Chap. 51	
Chap. 62	Pilot schemes and preparatory studies	Chap. 52	

NOMENCLATURE 1982		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
Chap. 63	Education and vocational training	Art. 392 Art. 301 Art. 817	
Chap. 64	Employment, social protection and health	Chap. 30 Chap. 35 Art. 876	Less Article 301 Less Articles 351, 354 and 355 Still available
Chap. 65	Contribution to the ECSC for social measures in connection with the restructuring of the steel industry	Chap. 54	
Chap. 66	Protection of the environment and consumers	Art. 351 Art. 354 Art. 355	
Chap. 67	Cultural action and the European Foundation	Art. 393 Art. 396	
Chap. 68	Training of national inspectors	Art. 315	
Chap. 69	Aid to disaster victims in the Community	Chap. 59 Art. 308	
<u>TITLE 7</u>	APPROPRIATIONS FOR OPERATIONS IN THE ENERGY, INDUSTRY AND TECHNOLOGY, RESEARCH, NUCLEAR SAFEGUARDS, SCIENTIFIC AND TECHNICAL INFORMATION AND TRANSPORT SECTORS		
Chap. 70	Energy policy	Chap. 32	Less Article 329
Chap. 71	Nuclear safeguards	Chap. 34	
Chap. 72	General and preparatory projects in the field of scientific research and technology	Art. 390 Art. 391 Art. 265	
Chap. 73	Research and investment	Chap. 33	
Chap. 75	Information market and innovation	Chap. 36	

1982 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
Chap. 77	Industry and the internal market	Chap. 37 and Art. 263	Less Articles 378 and 379
Chap. 78	Transport	Art. 378 and 379	
Chap. 79	Expenditure resulting from borrowing and lending operations in the energy sector	Art. 329	
<u>TITLE 8</u>	REPAYMENTS AND AID TO MEMBER STATES, LOAN GUARANTEES AND MISCELLANEOUS		
Chap. 80	Flat-rate repayment to the Member States of costs incurred in collecting own resources	Chap. 40	
Chap. 81	Application of the financial mechanism pursuant to the Council Decisions of 17 May 1976 and 27 October 1980	Chap. 41	
Chap. 82	Financial compensation to Member States which are not effectively and fully participating in the European Monetary System	Art. 571	
Chap. 83	Expenditure resulting from implementation of the guarantee for Community loans raised for the purpose of giving balance of payments support	Chap. 42	
Chap. 84	Expenditure resulting from implementation of the guarantee for loans raised to promote investment in the Community	Chap. 43	
Chap. 85	Exchange losses and deficit carried over from previous year	Chap. 48	
Chap. 86	Other repayments	Chap. 49	

1980 NOMENCLATURE		1981 NOMENCLATURE	COMMENTS
TITLE CHAPTER	HEADING	TITLE CHAPTER ARTICLE	
<u>TITLE 9</u>	COOPERATION WITH DEVELOPING AND OTHER NON-MEMBER COUNTRIES	<u>TITLE 9</u>	Reserved for inclusion of the EDF in the budget Includes "Refunds in connection with Community aid", i.e. old Items 6001, 6002, 6101, 6102, 6201, 6202, 6203, 6204, 6401, 6401, 6402, 6501
Chap. 90	European Development Fund - cooperation with the ACP States		
Chap. 91	European Development Fund - cooperation with the OCT associated with the Community		
Chap. 92	Food aid	Chap. 92	
Chap. 93	Cooperation with non-associated developing countries	Chap. 93	
Chap. 94	Specific measures for cooperation with developing countries	Chap. 94	
Chap. 95	Exceptional measures to assist developing and other non-member countries	Chap. 95	
Chap. 96	Cooperation with Mediterranean countries	Chap. 96	
Chap. 97	Cooperation in the field of commodities	Chap. 97	
Chap. 99	Cooperation with non-member countries	Chap. 99	
<u>TITLE 10</u>	OTHER EXPENDITURE		
Chap. 101	Provisional appropriations	Chap. 101	
Chap. 102	Contingency reserve	Chap. 102	
Chap. 103	Reserve to cover any shortfall in appropriations converted into national currencies resulting from the difference between the ECU conversion rates used when the budget is drawn up and the conversion rates obtaining at the time of implementation	Chap. 103	

Proposal for a Financial Regulation

of

amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.
(ECSC, EEC, EURATOM)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 78h thereof,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 209 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 183 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament (1),

Having regard to the Opinion of the Court of Auditors (2),

Whereas the conciliation provided for in the Joint Declaration of 4 March 1975 by the European Parliament, the Council and the Commission (3) has taken place within a Conciliation Committee ;

Whereas Article 107 of the Financial Regulation of 21 December 1977 (4), as last amended by the Financial Regulation of 16 December 1980 (5), requires the said Financial Regulation to be examined by the European Parliament and the Council in the light of a proposal from the Commission ;

Whereas the general budget of the European Communities has increased in size over the years and whereas it is now the centre of attention at Community level ;

Whereas, as far as appropriations falling within the present Section III of the budget are concerned, the time has come to introduce a more uniform and rational presentation, to ensure political transparency of appropriations and to increase the number of headings available ;

(1) OJ C ...

(2) OJ C ...

(3) OJ C 89, 22.4.1975, p. 1.

(4) OJ L 356, 31.12.1977, p. 1.

(5) OJ L 345, 20.12.1980, p. 23.

Whereas, to this end, the present Section III should be reserved for staff and administrative appropriations; and a new Section VI introduced for operating appropriations ;

Whereas the provisions of the Financial Regulation should be amended to allow for the creation of a new Section VI,

HAS ADOPTED THIS FINANCIAL REGULATION :

ARTICLE 1.

The Financial Regulation of 21 December 1977 is hereby amended as follows :

1. Article 12(2)(b) is replaced by the following:

"(b) as regards the two Commission sections :

- a definition of the policies justifying the request for appropriations,
- an explanation of the changes in appropriations from one financial year to the next,
- a detailed statement on borrowing and lending policy."

2. Article 12(3) is replaced by the following:

"Each of the sections of the preliminary draft budget shall be preceded by an introduction prepared by the Institution concerned.
The Commission shall prepare a single introduction to its two sections."

3. Article 15(1) is replaced by the following (1):

"1. The budget shall consist of:

- a general statement of the revenue of the Communities,
- separate sections subdivided into statements of revenue and expenditure of the European Parliament, the Council, the Commission, the Court of Justice and the Court of Auditors. The Commission shall have one section for staff and administrative appropriations, and one section for operating appropriations. The revenue and expenditure of the Economic and Social Committee shall be entered in the section dealing with the Council and presented in the form of a statement of revenue and expenditure, subdivided in the same way as the sections of the budget and subject to the same rules."

4. Article 15(5) is replaced by the following :

"5. A statement of revenue and expenditure in respect of the Office for Official Publications of the European Communities, drawn up in accordance with Article 118(2) (of the proposal of 12.12.1980 amending the Financial Regulation) (2) shall be attached to the Commission section relating to staff and administrative appropriations."

5. The first subparagraph of Article 16(2) shall read as follows :

"2. in the two Commission sections and the section for each of the other institutions:"

6. Article 21(10) (of the proposal of 12.12.1980, amending the Financial Regulation) is replaced by the following :

"10. For the purposes of this Article the two Commission sections shall be treated as a single section."

(1) This amendment also applies to Article 15(1) of the "borrowing/lending" proposal of 15.6.1978.

(2) Article 103(2) of the Financial Regulation of 21.12.1977.

7. In Article 21, paragraph 10 (of the proposal of 12.12.1980 amending the Financial Regulation) becomes paragraph 11.
8. The first paragraph of Article 87 is replaced by the following :

"The appropriations relating to research and investment shall be entered in a special chapter in the Commission section relating to operating appropriations."
9. The introductory sentence of the third paragraph of Article 89 is replaced by the following :

"The following shall be attached to the Commission section relating to operating appropriations."
10. The first subparagraph of Article 118(2) (of the proposal of 12.12.1980 amending the Financial Regulation) (1) is replaced by the following :

" The appropriations for the Office, the total amount of which should be entered under a special budget heading within the Commission section relating to staff and administrative appropriations, shall be set out in detail in an Annex to that section. The appropriations shown under this specific budget heading may be transferred in accordance with the conditions set out in Article 21."
11. Article 118(4) (of the proposal of 12.12.1980 amending the Financial Regulation) (2) is replaced by the following :

"4. Each Institution shall, for guidance, enter in its section of the budget a pro forma appropriation corresponding to the services which it expects the Office to render to it during the financial year concerned. The Commission shall enter this appropriation in its section relating to staff and administrative appropriations ."

(1) Article 103(2) of the Financial Regulation of 21.12.1977.

(2) Article 103(4) of the Financial Regulation of 21.12.1977.

ARTICLE 2.

This Financial Regulation shall enter into force on the third day following the date of publication in the Official Journal of the European Communities.

It shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

