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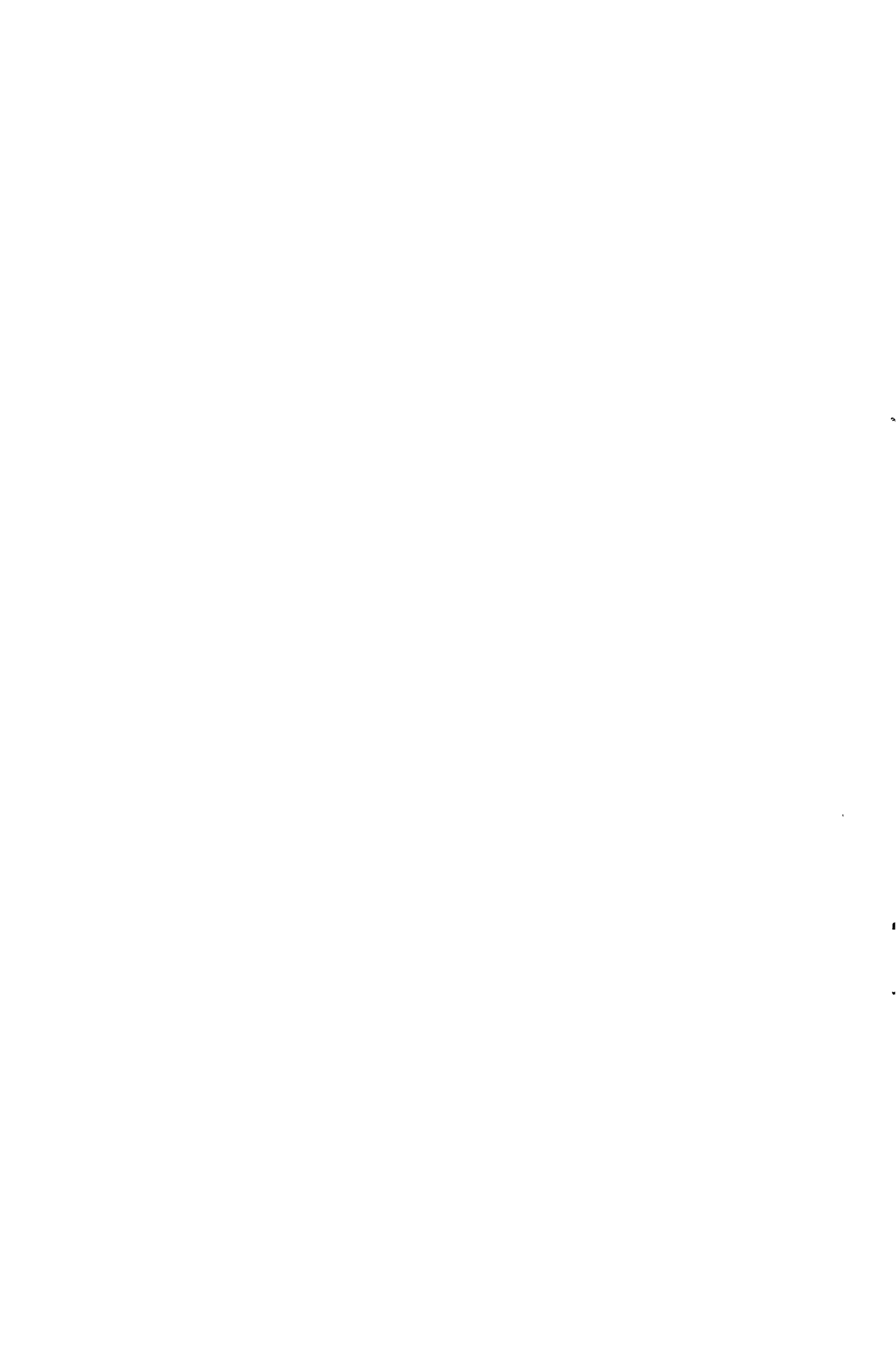
REPORT

drawn up on behalf of the Committee on
Budgets

on the ~~draft~~ general budget of the European
Communities for the 1978 financial year
(Doc. 270/77)

Rapporteur: Mr M. SHAW

121.



On 16 March 1977 the Committee on Budgets appointed Mr Michael SHAW rapporteur on the Draft Budget of the European Communities for 1978 (with particular reference to Section III - Commission).

On 10 May 1977, Parliament adopted its guidelines on the budgetary and financial policy of the European Communities for 1978.

On 27 May 1977, the Member of the Commission primarily responsible for the budget presented the Preliminary Draft Budget 1978 to the Committee on Budgets.

On 7 July 1977, the Preliminary Draft Budget was considered by Parliament in the presence of the Commission.

A Delegation from Parliament met the Council on 20 July 1977.

The Draft Budget of the Communities, drawn up by the Council, was forwarded to the European Parliament on 30 August 1977, within the time limit laid down by the Treaties.

On 12 September 1977, the European Parliament referred this Draft Budget to the Committee on Budgets as the Committee responsible, and to the other committees which expressed a wish to deliver an opinion upon it.

The Draft Budget was considered in the presence of the Commission on 21 September 1977 and in the presence of the Commission and the Council of the European Communities on 3 October, 17/18 October and 21 October.

The draft amendments and proposed modifications were considered on 3 October and on 17/18 October in the presence of the Council and Commission.

At the meeting of 21 October 1977, the Committee on Budgets considered the Draft Report drawn up by Mr SHAW and adopted the motion for a resolution unanimously, with one abstention.

Present: Mr Lange (chairman), Mr Aigner (first vice-chairman), Mr Bangemann (second vice-chairman), Mr Shaw (rapporteur), Mr Dalyell, Mr L'Estrange, Mr Meintz, Mr Notenboom, Mr Schreiber, Mr Spinelli, Mr Vanvelthoven and Mr Würtz.

REPORT ON THE 1978 DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES

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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 Draft General Budget of the European Communities for the 1978 financial year.

The European Parliament,

- having regard to the preliminary draft budget of the European Communities and, in particular, to the General Introduction - Section III (Commission) COM(77)1607;
 - having regard to the draft general budget of the European Communities for the 1978 financial year, drawn up by the Council and the accompanying explanatory memorandum (Doc. 270/77), and the letter of amendment (Doc. 322/77), forwarded by the Council on 10 October 1977 ;
 - having regard to the dialogue on the budget with the Commission and the Council;
 - having regard to the report of the Committee on Budgets, the opinions of the other committees and the draft amendments and proposed modifications annexed to this report (Doc. 341/77);
- (a) Recalling the guidelines adopted by it in regard to the budgetary and financial policy of the European Communities for 1978 (Doc. 83/77);
 - (b) Appreciating the special political significance attaching to the 1978 budget;
 - (c) Aware that the budget is, primarily, a political document;
 - (d) Convinced that the budget cannot, in any event, be reduced to a mere statement of expenditure resulting from decisions taken by the Council;
 - (e) Conscious of the increased responsibility of Parliament in regard to the budget now that the Treaty of 22 July 1975 has been ratified;
 - (f) Considering that the establishment of the European Court of Auditors will enable Parliament to carry out its budgetary role more effectively;
 - (g) Anxious to see several structural reforms in operation in time for the 1978 financial year;
 - (h) Appreciating the increased significance, from the budgetary policy aspect, of the triennial financial estimates, and also the need to preserve budgetary annuality;

Political significance of the 1978 Budget

1. Recalls that the application of the Treaty of 22 July 1975 enhances the responsibility of the European Parliament, notably in regard to the determining of the level of own resources;
2. Stresses, therefore, that the 1978 budget and financial year must mark a new departure to be reflected in an improved political balance in Community activities;
3. Affirms that full achievement of financial autonomy for the Community requires a strengthened parliamentary control;
4. Declares that in the context of its direct election the link between the European taxpayers and their representatives will take on special significance;

Structural aspects of the budget

5. Considers it imperative that the new budgetary structures - namely, the European unit of account, the VAT financial regulation and associated texts, and the amended financial regulation - should be set up in time to be in operation for the 1978 financial year;
6. Believes that prompt attention should be given by Council and Commission to the proposals put forward by Parliament for improvements in the budgetary procedures and presentation;
7. Regrets that both of the other Institutions failed to react satisfactorily to the suggestions¹ put forward by Parliament this year concerning, in particular,
 - (a) EEC borrowing and lending policy;
 - (b) budgetization of cooperation appropriations;
 - (c) the commitments authorization system;
 - (d) attitude to supplementary budgets; and
 - (e) budgetary nomenclature and transparencyand considers it is essential that these problems be resolved by common accord as soon as possible;

The budget as a policy instrument

8. Reiterates its conviction that the budget should constitute a comprehensive budgetary and fiscal policy document and should not be regarded as being a mere accounting text;
9. Stresses, once again, that the budget should be decided in the light of Community needs and goals and should not be determined, on a statistical

¹ Doc. 119/77

basis, by considerations arising from past trends in the GNP, the national budgets and the price patterns of Member States;

10. Believes that the coherence and continuity of Community policies can best be assured by having regard to medium-term aspects while safeguarding budgetary annuality;

The budgetary calendar

11. Considers that recent reforms in the budgetary calendar have improved the situation, notably with regard to the time for consideration of amending letters, and asks the Committee on Budgets to examine the possibilities for further improvements;

The inter-institutional dialogue on the budget

12. Stresses that the Council, on the basis of the new inter-institutional balance, should be prepared to enter into a real dialogue;

The preliminary draft budget

13. Notes the partly positive response given by the Commission, in the preliminary draft budget, to the budgetary and financial policy guidelines of the European Parliament for 1978;
14. Considers that the general introduction to the preliminary draft budget contains a very considerable amount of worthwhile information on Community receipts and expenditure and that the part containing the political analysis and the general review of the estimates should be published in the Official Journal of the European Communities so that the public may be more fully aware of the details of Community budgetary policy;

The draft budget

15. Deplores the Council's failure to reflect Parliament's policy guidelines for 1978 in the draft budget;
16. Criticises sharply the fact that, despite the clearly expressed opposition of Parliament to supplementary budgets, the Council fore-shadowed supplementary budgets when presenting the draft budget;
17. Protests vigorously at the fact that the Council failed to provide any political explanation for departing from proposals made in the preliminary draft budget, thus making it difficult for Parliament, which has the last word on the adoption of the budget, to appreciate the political motives underlying Council decisions;
18. Calls on the Council to present, with future draft budgets, a statement of the policy considerations underlying the budgetary strategy endorsed by it;

Triennial financial estimates

19. Recognizes that multi-annual estimates are essential if the budgetary authority is to arrive at a better informed overall view of the medium-term implications of the annual budget;
20. Considers that such estimates are all the more necessary if the impact of commitments authorizations is to be taken into account and the flexibility within the fiscal basis of the Community budget is to be gauged;
21. Believes that maximum benefit would be gained from the triennial financial estimates if they were to outline desirable policies for the future and were not confined solely to projecting existing policies;
22. Criticises the Commission for having interpreted, in a timid fashion, the scope for presenting comprehensive triennial estimates and calls on it to present, next year, forecasts with an adequate new policy content;
23. Demands that, in future, the Council should revise the triennial financial estimates so as to enable the medium-term impact to be appreciated should it alter substantially the preliminary draft budget;
24. Insists that the basic decision¹ be amended so as to ensure that these estimates may form an integral part of the budgetary dialogue involving both Parliament and the Council;
25. Will give its definitive reaction to the triennial financial estimates 1978/1980 at the December part-session;

Resources

26. Appreciates its enhanced responsibility in regard to the receipts side of the budget now that conditions of financial autonomy exist and now that it is responsible for finally adopting the amount of Community resources;
27. Will not tolerate any attempt to have own resources changed into disguised contributions;
28. Reiterates its belief that it is essential to improve Community financing capacity by way of long-term borrowings;

¹ O J No. L 94, page 23, 28.4.1970.

29. Asks the Committee on Budgets and its Sub-Committee to pay particular attention to the verification of the collection of the own resources of the Communities;
30. Calls on the Commission of the European Communities (a) to present a report on the medium-term and longer-term evolution of Community revenue, (b) to submit an analysis of the tax burden in the Community and (c) to take into account the fact that the budget should, in the future, cover activities that can be dealt with more efficiently and more economically by the Community budget than at the level of Member States;

Operating expenditure

31. Recalls that, in the matters of staff and administrative expenditure, the budgetary authority should have special regard to the need for austerity and financial control;
32. Believes, nevertheless, that it is necessary to authorize the creation of the posts proved to be required for the implementing of tasks which the Commission is called upon to carry out;
33. Deplores the fact that the Council cast aside, without adequate explanation, Commission demands for extra staff and gave only an arbitrary figure without any apparent justification;
34. Is satisfied that, after account is taken of reasonable reorganization and redeployment, some further increase in the executive and clerical staff of the Commission is essential and, therefore, approves the establishment plans incorporated in the draft budget as amended;
35. Stresses that continued improvements in recruitment procedures and retirement provisions are needed to ensure greater flexibility of Community staff management;
36. Calls on the Commission to present a report, by 31 March 1978, on possible modifications in the Community retirement and pensions policy;

Satellite bodies

37. Asks the Commission to submit proposals to incorporate the decentralized organizations which are outside the direct control of the budgetary authority within the administrative structures of the institutions;
38. Expects that in future there should be supplied to the budgetary authority, with the preliminary draft budget, full estimates for each of these organizations, together with their establishment plans and economic programmes, and considers it essential to prevent the continuing expansion of establishment plans and administrative costs without adequate justification;

39. Calls on the Committee on Budgets and its Sub-Committee to examine the budgetary functioning of all these organizations;

Research, investment and related policies

40. Recognizes that some steps relating to the development of European industry, in particular the strengthening of advanced technology, can best be effected at the Community level;
41. Believes that there is an obligation on the Community (a) to assist, through the budget, the financing of research and coordination in regard to some of the advanced technology sectors, the securing of some energy and raw materials, research and investment actions, and policies in regard to transport and (b) to develop a Community energy policy;
42. Acknowledges that this implies an effort on the budgetary plane which, though not inconsiderable, would represent an overall saving since there would be greater economy in total outlay than would be the case if these measures were undertaken by Member States themselves;

European Social Fund

43. Reiterates its belief that, to give a more acceptable image of the European Communities, a worthwhile and balanced social policy is needed;
44. Stresses, once again, its belief that this effort should be concentrated on the least favoured sectors of the population, namely, the elderly, the unemployed - especially women and young unemployed - and migrant workers;
45. Considers that it should be possible to make a worthwhile impact on crucial Community social problems by operating through the Community budget;
46. Deplores that delays in payments attributable to complicated procedures, particularly at the national level, should persist and calls on the Commission to put forward proposals for the elimination of the delays in question which damage the effectiveness and the image of the Fund;

European Regional Development Fund

47. Notes with concern the evidence of growing disparities between the Community regions;

48. Considers that an effective regional policy is essential to the continued long-term existence of the European Communities as a social and economic entity;
49. Sharply criticises the Council for the negative attitude it displayed in the draft budget towards the clearly needed effort to improve regional balance;

Agriculture

50. Regards it as no longer acceptable that there should continue to be manifested in the draft budget a serious imbalance due to the fact that expenditure in relation to the EAGGF continues to account for over three-quarters of the Community budget;
51. Believes that the need for an effective Common Agricultural Policy cannot be contested, but urges that, for such a policy to retain continuing respect, it must be more flexible than that which has operated over recent years, as it affirms in its amendment to the compulsory remarks at Titles 6 and 7 (EAGGF - Guarantee) of the budget of the Commission;
52. Calls for the avoidance of persistent surpluses of agricultural products which entail a waste of resources and which reflect unfavourably on overall Community policy;
53. Asks the Commission to check that national expenditure in relation to agriculture does not run counter to Community policies;
54. Demands that a better balance be secured within the EAGGF as between the guarantee and guidance parts so that greater efficiency of production may be ensured;
55. Recognizes that monetary compensatory amounts are not a permanent feature of the Community budget and that their phasing out is an essential budgetary policy objective;

Cooperation with the developing countries

56. Adverts to its continuing belief that a comprehensive overall policy in regard to the developing countries should be reflected in the Community budget;
57. Reiterates its policy attitude that agricultural markets support policy and aid policy should be kept separate;

58. Recalls that Parliament was largely responsible for fostering Community policy in regard to the non-associated developing countries and urges the Commission to ensure that adequate and sustainable provisions for this policy are proposed;

Legislative part of the budget

59. Congratulates the Council for having recognized that the budget may contain legislative provisions;
60. Amends the draft text of the Commission and the Council regarding transfers within the Euratom part of the budget so as to make it clear that the approval of such transfers is a matter for the budgetary authority and not for Council alone;
61. Adds, in the same spirit, a decision concerning the list of items in regard to which commitment authorizations may be entered into in accordance with Article 1, paragraph 3, of the Financial Regulation;

Conclusions

62. Calls on the Commission and the Council to transmit, as soon as possible, the draft budget of the Court of Auditors, so that it may be examined while respecting the budgetary procedures;
63. Considers it essential, in the overall interest of the Communities, that the reshaping of the draft budget 1978 which has been voted by Parliament be endorsed by the other partner in the budgetary authority thus obviating avoidable supplementary budgets and ensuring that appropriate Community policies may be implemented;
64. Proposes that
- (a) a supplementary reserve of 1,395.7 m EUA, that is 20% of the EAGGF - Guarantee appropriations, be entered in Chapter 100 'Provisional appropriations' to avoid possible supplementary budgets which would lead to a change in the middle of the year in the VAT rate, which might jeopardize financial autonomy
 - (b) the only appropriations entered in Chapter 100 should be for payments intended to be spent - after transfer - during the financial year
 - (c) expenditure be entered in the draft budget amounting to 13,969,662,699 EUA in payments
 - (d) in consequence the annual rate of VAT should be fixed at 0.85620369%;
65. Instructs its President to forward this modified draft budget, this resolution, the minutes of its sitting and the report of its Committee on Budgets to the Council.

B

EXPLANATORY STATEMENT

PART I
INTRODUCTION

1. For a number of reasons which are summarized in the opening part of this explanatory statement, particular significance attaches to the General Budget of the European Communities for 1978. Indeed, as will be evident from Part II of this explanatory statement, the 1978 budget will mark a turning point in the history of the fiscal policy of the Communities.

2. On 1 July 1977, the last remaining customs tariffs between the three new Member States and the original six were removed, as planned. The common external tariff was adopted fully by Denmark, Ireland and the United Kingdom, on the same date. The significance of these two developments is not merely symbolic: one of the sources of Community revenue - the proceeds of the tariff - will flow in on a harmonized basis, for the first full year, in 1978.

3. Perhaps even more important than the completion of the customs union, from the fiscal point of view, is the fact that Community expenditure will be fully financed by own resources. This fundamental change from the contributions system did not come about easily. Securing financial autonomy for the general budget called for many years of patient and far-sighted effort by members of the European Parliament whose persuasiveness and political acumen is now showing results.

4. A further innovation is the expression of the 1978 budget in European Units of Account. This change will have the effect of bringing the budget more up to date and of doing away with many anomalies springing from the use of the old unit of account; it will constitute the initiating of a major reform which will take a couple of years to put into effect fully.

5. Furthermore, a revised Financial Regulation will come into operation in the year ahead, thus bringing this basic text closer into line with reality and taking account of developments over the years.

Other noteworthy developments with budgetary connotations are the ratification of the Treaty of 22 July 1975, the setting up of the European Court of Auditors and Parliament's more active prosecution of its rôle in regard to the auditing and control of the budget.

6. During 1978, a directly elected European Parliament will assemble and will assume fuller responsibility for the control of the budget. This development is highly important politically because it will enable us to use the technical and structural developments referred to in the preceding paragraphs. The change in the mandate of the European Parliament will, of itself, alter democratic control by strengthening Parliament in regard to exercise of its responsibilities and by bringing it closer both to those who benefit from the budget and to those who contribute to its financing. With these factors in mind, Parliament considered the preparation of the 1978 budget with very particular care. Also, Parliament considers that the Council should cease to regard the budgetary procedure as an empty ritual and enter into a real dialogue with Parliament on budgetary policy.

7. Only persons with a short-term view of events would fail to appreciate that the major political, structural and fiscal reforms referred to above did not come about by chance or by an unaided evolutionary process. Parliament's efforts to develop its responsibilities in the budgetary sphere have continued for over a decade. An important decision point is being reached at the stage where direct elections approach.

8. In view of their importance, the matters referred to in the preceding paragraphs are considered in the following part before Parliament's policy stances on the various areas of the budget and in regard to the desiderata for the 1978 budget are reviewed in detail.

PART II

RECENT DEVELOPMENTS IN REGARD TO THE LEGAL AND STRUCTURAL FRAMEWORK OF THE BUDGET

(i) The Financial Regulation

9. The procedure for preparing and drawing up the General Budget of the European Communities is set out in a text of some 120 articles known as the Financial Regulation. As well as describing the structure of the budget, this document lays down the procedure for the implementing of the budget and for the presenting and auditing of its accounts. It also touches on the rôle of Parliament as the Institution responsible for overall financial control and for giving final clearance when the budgetary accounts are closed.

10. The present financial regulation was adopted by the Council on 25 April 1973¹. Since then, numerous shortcomings in the text have come to light. Moreover, the rôle of Parliament in regard to the budget was strengthened, especially because of the Treaty of 22 July 1975, and thinking in regard to the preparation and control of the budget has evolved considerably.

11. On 19 May 1976, the Commission - responding to a request from Parliament - put forward a proposal² for an extensive overhaul of the financial regulation. The text included a number of amendments which reflected calls made by Parliament over recent years for various specific changes; account was taken of the provisions of the Treaty of 22 July 1975; and, also, amendments were put forward to correct shortcomings that had been observed in the existing financial regulation during its three years' existence.

12. The more significant of these proposed amendments provided for the following:

- the budgetization of Community borrowing so that Parliament as well as Council would be able to exercise its due responsibility in regard to this possible source of finance for certain Community activities;
- the fixing of the budgetary nomenclature in the course of the adoption of the budget so that the unwieldy process of effecting changes by way of formal amendments to the financial regulation could be avoided in future years;
- the generalization of the possibility of recourse to commitment authorizations - that is, to cope with the authorization and financing of projects extending over several years;
- the European Unit of Account to replace the present budgetary unit of account which has become outdated;
- the simplification of the research part of the budget;
- the position in regard to the treatment of supplementary and amending budgets, and
- transfers of appropriations.

¹OJ Vol. 16, L116, May 1973

²Doc. 166/76 Com (76) 210 final

13. In all, some 89 articles in the financial regulation were effected by the overhaul.

14. The Committee on Budgets considered the proposals for amendments to the financial regulation on seven separate dates. At the outcome of its proceedings on 2 December 1976, the Committee adopted the report¹ which endorsed the great majority of the amendments put forward by the Commission. There were, however, a number of proposed amendments in relation to which the Committee had reservations leading to their rejection or modification; as well, the Committee approved the insertion of forty-two further amendments.

The Committee on Budgets was concerned to ensure

- that the annuality of the budget was preserved, that is, to ensure that the budget would continue to be an annual measure;
- that budgetary clarity would be enhanced;
- that the power of Parliament in regard to the follow up to be given to the auditing of accounts would be strengthened, and
- that a series of reforms, of specific interest to Parliament, which have been noted over the past few years as being desirable, would be built into the amended financial regulation.

15. Of the forty-two amendments put forward by Parliament, the Commission was fully receptive in the case of thirty-six and accepted, in part, the majority of the remaining amendments. By meeting the end-year deadline, Parliament honoured the promise it had given to Council in July 1976 that it would transmit to it, before the end of the year, its package of amendments to the financial regulation.

16. Council examined Parliament's proposals and responded by issuing a document² which set out the "common position". This common position was most disappointing from Parliament's viewpoint: it did not take up Parliament's amendments on borrowing and lending, commitment authorizations, nomenclature, transfers, carry-forwards, or those in relation to Articles 107 and 113. The common position of the Council does not take account of the reality of the present relationship between the budgetary authority and the regulation making authority.

¹ Doc. 469/76

² R/1058/1/77 Fin. 273 Rev.1 17.5.77.

17. The Committee on Budgets examined the Council's "common position" and identified the key issues of major importance on which recourse to the real concertation procedure was being sought in accordance with the resolution of 14 December 1976¹. These issues are cited in a working document² prepared by the Committee on Budgets. This text³ refers as well to the many other points on which Parliament has not yet been given satisfaction by Council: these secondary issues - though still highly important politically - are being considered by the rapporteur, with Council and Commission officials, with a view to securing satisfactory solutions without distorting the approach favoured by Parliament in regard to the matters concerned. A factor leading to this parallel examination is a desire to avoid overloading the discussions on the main points of principle which are taking place in the concertation procedure.

18. Great importance attaches to the speedy and successful termination of the negotiations in the conciliation committee if the goodwill and harmonious relations between the partners in the Budgetary Authority - and confidence in the conciliation procedure itself - are to be conserved.

(ii) E U A

19. The changeover to the European Unit of Account represents one of the major reforms in presentation that will be reflected in the 1978 budget. The existing unit of account, used to express the budget, is set out at Article 10(1) of the Financial Regulation of 25 April 1973⁴ applicable to the General Budget of the European Communities. The parities for the unit of account are considerably out of date, some in fact date to 1949. The steady erosion of the value of certain currencies and wide fluctuations in international monetary affairs have brought about a situation where practically no currency can be defined in terms of gold - let alone be converted into gold. As a solution to some of these difficulties, the European Unit of Account (EUA) was devised.

20. As stated in a recent report⁵ of the Committee on Budgets, the European Unit of Account should represent an equitable and neutral way of expressing the revenue and expenditure of the European Communities. The new unit of account represents an average of the currencies of Member States and is based on daily exchange rates rather than on parities. The

¹ OJ Vol. 20, C 6, 10.1.77, p. 20.

² PE 49.182

³ A fuller comparison is set out in PE 49.379 corr.

⁴ OJ No. L 116, 1.5.1973

⁵ Doc. 569/76, paragraph 6, p.13

following table illustrates the extent to which the unit of account had got out of touch with current values; it should be borne in mind that the E U A - which is up-to-date - gives a precise present value.

Table I

u.a. ¹		E U A ²
Belgian francs	50	41,3015
Luxembourg francs	50	41,3015
German marks	3,55	2,68845
Dutch guilders	3,62	2,81381
Pounds sterling	0,416667	0,651186
Danish kroner	7,50	6,59738
French francs	5,55419	5,55215
Italian lire	625.-	985,667
Irish pounds	0,416667	0,651186

¹ Equivalent to 0.88867088 grammes of fine gold

² Based on the currency basket

Source: Volume 7, page 12, Preliminary Draft Budget of the European Communities 1978

21. While the political decision to implement the EUA has been taken, much complicated work remains to be done before the new unit of account can apply to all aspects of the budget. Some of these differences are of a transitional nature; others, however, will be extremely difficult to surmount in advance of the achievement of monetary union.

(iii) Commitment Authorizations

22. For some time, the Committee on Budgets has had under active consideration the problems related to the presentation in the budget of entries relating to policies extending over several years. It has been the opinion of the Committee that "improved coherence could be given to the consideration of the full implications of budgetary decisions by viewing the financial impact of policies either about to be initiated or already under way in the context of a programme of several years"¹. Differing views were expressed as to how best the entries in the budget, which would reflect provision for multi-annual projects, might be shown.

¹ Paragraph 10 on page 39 of Doc. 97/76, rapporteur, Mr Cointat.

23. It was felt that a coherent policy in regard to such entries would help to set the annual budget more clearly in its medium term and longer term context. Parliamentary control of major policies would be improved and budgetary flexibility would be enhanced, particularly since the problem of carry-overs would be made more manageable.

24. The Committee on Budgets insisted on two criteria being observed: - the procedure to be adopted in regard to commitment authorizations should be transparent, and budgetary annuality should not be eroded.

25. It was also recognized that the wider use of the commitment authorizations technique would entail a "revamping" of the arrangements for computing future year activities so that the commitment entries in the budget should be as close as possible to actual requirements. It was considered, too, that it would be necessary to keep a closer watch on quarterly returns so that the pattern of utilization - and therefore the accuracy of estimates - would become apparent at as early as possible a stage. So that the Budgetary Authority would have an overall view of the spread of commitments, it was recommended that these should be brought together in a list in Volume 7. Finally, the need to tie in more closely with the triennial forecasts was evident.

26. The Committee on Budgets examined the problem in the forum provided by the Ad Hoc Working Group on Certain Budgetary Questions; it also went into the matter closely when the amendments to the Financial Regulation¹ were being considered.

27. After long and careful examination, it was decided that a presentation on the lines of that set out on page 21 was appropriate. The presentation shown in the table was of an outline nature and was intended to show the layout preferred in the case of a single commitment entry where the payments would be spread over a number of years. It is clear, however, that, where a policy extends over many years and where its implementation requires the entering in the budget of tranches for commitment in successive years, transparency would be enhanced and the budgetary authority would have better information available to it if the Commission showed two further points in the Remarks Column,

i) commitments entered into and payments made to date in

¹ Doc. 166/76, Com (76) 210 final

respect of this area of activity, and

- ii) the possible level of commitments likely to be called for in future years. This additional information would provide valuable additional data on the scope and nature of the activity involved and would enable Parliament to reach a more fully informed conclusion.

28. Parliament has noted that Article 203(8) of the EEC Treaty makes no distinction between commitment authorizations and payment appropriations; certain provisions, in particular those relating to expenditure and to the maximum rate, indicate that it refers to payment appropriations¹.

29. The Commission has felt that Parliament, Council and itself should adopt a joint declaration to the effect that Article 203 should apply to commitment authorizations in so far as classification, margin for manoeuvre and the maximum rate are concerned.

30. However, the ad hoc working group and the Committee on Budgets considered that:²

- commitment authorizations do not involve actual expenditure but rather legal obligations of a contractual nature;
- these authorizations are multiannual and cannot, therefore, be determined by limits designed to apply to a particular year's expenditure; and
- only payment appropriations need to be covered by matching resources in the budget.

31. In view of these considerations, Parliament approved a resolution on 15 June 1977, which stated that

"decisions on the opening of new lines for commitment authorizations and on the annual amount of these commitments are to be taken during the budgetary procedure".³

This confirms the stance adopted by Parliament at its session of 14 December 1976, when it considered the amendments to the Financial Regulation.

¹ Para. 12 of Doc. 119/77, rapporteur Mr Cointat

² Doc. 119/77, part v

³ O.J. Vol. 20, C.163, Page 40, 11/7/77

Table II

Example of budgetary presentation of an item involving appropriations for payment and commitment authorizations

In units of account

Left hand page of Budget					Right hand page of Budget									
Nomenclature	Heading	Appropriations 1978	Appropriations 1977	Expenditure 1976		Remarks								
Item x	1,000,000	Item x	<p>The usual style of remarks</p> <ul style="list-style-type: none"> - legal basis - nature of expenditure, etc. <p>Commitment authorizations for this activity for 1978 amount to 4,000,000</p> <p>The estimated schedule of implementation is as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>1978</th> <th>1979</th> <th>1980</th> <th>1981</th> </tr> </thead> <tbody> <tr> <td align="right">1,000,000</td> <td align="right">1,500,000</td> <td align="right">1,000,000</td> <td align="right">500,000</td> </tr> </tbody> </table> <p>Commitments entered into, to date, and payments made in respect of this item total respectively, (in tabular form)</p> <p>The possible level of commitments likely to be called for in future years is</p>	1978	1979	1980	1981	1,000,000	1,500,000	1,000,000	500,000
1978	1979	1980	1981											
1,000,000	1,500,000	1,000,000	500,000											

(iv) Ratification of the Treaty of 22 July 1975

32. The mid-1977 ratification, by all Member States, of the Treaty of 22 July 1975, though rather tardy, was welcome because of the amendments made to the financial provisions of the treaties which improved the position, in so far as Parliament is concerned, in several respects.

33. The three main changes are

- where a modification to the draft budget proposed by Parliament would not result in an increase in the total amount of expenditure for an institution, it would be deemed to be accepted unless the Council, acting by a qualified majority, were to reject it;
- Parliament may reject the whole of the draft budget, for important reasons, and ask for a new draft to be submitted to it; and
- Parliament has the exclusive right to give discharge to the Commission, in respect of the implementation of the budget, acting on a recommendation from the Council.

34. However, this amending treaty leaves much to be done - as is indicated clearly in Mr Lange's report¹ of July 1975.

(v) Court of Auditors

35. A further consequence of the ratification of the Treaty of 22 July 1975 is the setting up of the Court of Auditors which will strengthen the public accounting control of Community revenue and expenditure. As the members of the Court of Auditors will work full time, they will be of considerable assistance to the control body of Parliament in carrying out its work.

(vi) Development of the control function of the European Parliament

36. The Committee on Budgets has been fully aware of the importance of ensuring that there should be close political control of the implementation of the budget of the Communities. The Bangemann report² on the discharge for the years 1972 - 1974 sets out, at paragraph 57, the auditing functions as

¹ Doc. 166/75

² Doc. 460/76

- verifying that expenditure is incurred as intended by the budgetary authority;
- ensuring that irregular procedures and infringements of proper accounting methods are eliminated;
- identifying any inefficiencies, extravagances or waste in regard to the use of Community money; and
- watching that financial management is sound.

37. The setting up of the Control Sub-Committee of the Committee on Budgets last year represented a very considerable advance in the area of Parliamentary responsibility in regard to the control of the budget which cannot be dissociated from the task of preparing the budget. As a result of the activities of the Sub-Committee, public accounts work in the European Parliament is now on a current basis, arrears have been cleared up, procedures for dealing with confidential matters have been evolved, questions of topical political interest have been examined and a heavy volume of work has been discharged. In the Aigner report¹ on the accounts for 1975, for instance, seventy-three comments calling for improvements in regard to various aspects of the implementation of the budget were made.

38. Now that direct elections are imminent, now that the budget will be financed from own resources and now that Parliament will be responsible formally for adopting the budget since it has the power not only to declare the budget adopted but also to reject it, lack of control of the implementation of the budget would be a betrayal of all those millions of citizens who have faith in parliamentary democracy.

(vii) Greater involvement of the Parliament in the preparation of the budget

39. This year, for the first time, the Commission's annual overall assessment of the Community's budgetary problems for the year² ahead was transmitted formally to Parliament, as one of the holders of the Budgetary Authority, to enable it to state its views on the guidelines set out therein. Parliament reacted to this document by conveying its political views³ on the principal budgetary and financial guidelines. This will be returned to at Part IV below.

¹ Doc. 165/77

² COM (77) 20 final

³ Doc. 83/77

40. This year, too, for the first time, Mr Tugendhat, the Member of the Commission primarily responsible for the budget, presented the details of the 1978 preliminary draft budget at a meeting of the Committee on Budgets on 27 May 1977. It is to be hoped that improved arrangements will operate next year and that the preliminary draft budget will be presented to Parliament in plenary session.

PART III
BUDGETARY POLICY OF PARLIAMENT IN REGARD
TO CERTAIN KEY AREAS OF COMMUNITY ACTIVITY

41. Having sketched out several recent - or forthcoming - developments of a legal framework or fiscal structure nature, it would be appropriate to look at certain key areas of Community expenditure in the light of the political and fiscal stances adopted by the Committee on Budgets and by Parliament as a whole.

42. A number of considerations govern the attitude of Parliament to the general budget of which the following warrant being recalled here.

- Expenditure should be looked at in the context of policies rather than in the framework of funds, so that a less compartmentalized approach may be adopted to the preparation of the budget.
- Account should be taken of the triennial forecast¹ and of longer term prospects; this would not, in any way, diminish the significance of the use of the budget as an annual policy instrument - rather it would help to ensure a more rational use of Community resources.
- The budget must be recognized as the most effective instrument for securing the Treaty objectives of improving the living and working conditions of the peoples of Europe, strengthening the unity of their economies and ensuring harmonious development by reducing the differences existing between the various regions.
- Budgetary flexibility should not be hindered by considerations arising from past trends in the GNP, the national budgets and the price patterns of Member States or by strait-jackets formed by other considerations that are irrelevant to the development of Community policies.

¹Prepared in accordance with the Decision of 21 April 1970; O.J. No. L 94 of 28.4.1970, page 23.

- Care should be taken to coordinate the impact of the different parts of the budget (and also the efforts of the Member States themselves) in the various policy spheres.
- Expenditure from the Community budget should be in regard to areas of activity that could best be carried out at the Community level rather than at the national level.

43. Against this background, the Committee on Budgets sets out, in the following passage, its thinking on budgetary policy in regard to agriculture, MCA's regional policy, social policy, operational expenditure and aid policy.

(a) Agriculture

(i) Share of the Budget involved

44. Expenditure in relation to agriculture accounts for about three quarters of the General Budget of the European Communities.

Budgetary flexibility is rather restricted, in view of this considerable outlay, which is held to be compulsory in nature because it is attributable to the implementing of regulations in force - but is, in fact, compulsory because the Council has so decided. Before considering the 1978 draft budget as a whole, attention should be paid, therefore, to this great block of expenditure so that it may be set in better perspective.

45. At page 39 of Volume 7 of the preliminary draft budget, the following figures are shown for the trend in expenditure in relation to agriculture as between 1977 and 1978:

Estimated Payments in Million EUA

<u>1977</u>	<u>1978</u>
7,087	8,255 (1)
increase 1,168	(or 16½%)

The 1978 figure is preliminary in nature; a further element was added when the letter of amendment came to hand and, moreover, it does not include any sum for 1978 possible price review increases.

46. It was apparent to the authors of the Treaty of Rome that agriculture is an essential element in the cohesion of the Community. This concern

(1) The draft budget shows 8,575,162,600 EUA or the equivalent of 75.76% of the total amount for the 1978 draft budget.

is reflected in the Articles of the Treaty devoted to agriculture. As well, the Economic and Social Committee has expressed the view that the Common Agriculture Policy plays an important role in the process of political integration in the Community¹.

(ii) Achievements in the sphere of agriculture

47. While the increases in relation to the part of the budget devoted to agriculture appear to be considerable, an overall view of the situation can be obtained only after account is taken of the following aspects:

on the positive side ²

- the greater security of Community food supplies which results from Community policy in this domain;
- the improved price stability for consumers within the Community;
- the diminution in certain food imports with a consequential saving to the balance of payments of the Community;
- the real rise in incomes of those engaged in agriculture;
- the moderation in the trend of Member State expenditure in relation to agriculture;
- the levelling out, over time, in the balance of costs and benefits as between Member States of the operation of the Common Agricultural Policy;
- the evolution within the Community as a result of the Common Agricultural Policy which has led to new areas of agricultural production being developed;
- the possibility of additional amounts of agricultural products being exported with a consequential gain to the balance of trade to compensate for certain essential imports of raw materials.

On the negative side, the following points have been advanced:

- continuing surpluses have been generated, especially in the dairy sector, with a consequential waste of funds;
- the limitation on the possibility for extensive development of other policies due to the inroads made on Community resources by agricultural expenditure;
- a lack of balance in the budget as there appears to be a reluctance to allow non-agricultural expenditure to increase as a share of the total budget while so large a share of budgetary resources are spent on guarantee outlay;

¹ OJ, Vol. 17, No. C 115, page 23 of 28.9.1974

² See also Mr. Cointat's opinion for the Committee on Budgets, on Doc. 529/74, in Doc. 115/75/Ann.

- a danger of a lack of harmonization between the results of Member State and Community expenditure;
- insufficient attention being paid to structural problems; and
- irregularities due to the complexity of Community regulations.

(iii) Previous Committee on Budgets' Observations

48. Many of these issues were examined by the Committee on Budgets when the opinion on the stock-taking of the Common Agricultural Policy¹ was being prepared. The Committee's reactions on that occasion are set out in Mr Cointat's opinion². Therefore, in the present document, comments are confined to observations on the possibility of a conflict between the impact of Member State and Community expenditure in relation to agriculture, technical obstacles to trade in agricultural products and the MCA aspect.

(iv) Member State Aid to Agriculture

49. In its report on the agricultural situation in the Community in 1976, the Commission states at paragraph 290 that

"Some serious obstacles remain within the common agricultural market which are capable of restricting not only the free movement of agricultural products (where there are no barriers of any sort) but also the regional specialization of agricultural production."

50. Leaving aside the monetary compensatory amounts and certain technical obstacles to trade in the sphere of agriculture, the large amount of state aid to agriculture could constitute a further barrier to the emergence of a genuine common agricultural market. The Commission has pointed out, in the report on the agricultural situation in the Community in 1976, that it is extremely difficult to put a precise figure on the total amount of aid to agriculture because of the wide-ranging nature of the forms this aid takes in the different Member States.

51. The Commission has further compiled the following table on the basis of returns by Member States:

¹ Doc. 529/74

² Doc. 115/75/Ann.

Table III

National aid for agriculture, fisheries and forestry in 1974 or 1974/75

	<u>m.u.a.</u>
France	2,439
Germany	2,059
United Kingdom	1,119 ^x
Italy	362
Netherlands	278
Ireland	258
Denmark	83
Belgium	73
Luxembourg	17
	<hr/> 6,688

^x Year: 1974/75

Consumer subsidies of 1,241 m.u.a. in the United Kingdom and 50 m.u.a. in Denmark are not included.

52. At paragraph 301 of the report in question, the Commission indicates that most of the aid involved relates to development aid and income subsidy. However, it is pointed out that, to the extent that the development effect is not preponderate, such aid hinders the functioning of the common policy as regards both markets and prices and also the essential structural adjustments.

53. When the Control Sub-Committee considered the accounts for the financial year 1975¹, concern was expressed at the fact that the imbalance as between the share of expenditure in relation to agriculture arising from Community funds and Member State funds was such that it might have serious implications for economy in the use of resources. The following table shows the position which obtained in 1976:

Table IV

	<u>milliard u.a.</u>
Total public, national and Community expenditure in support of agriculture in 1976	17.0
EAGGF guarantee section	5.8

54. Taking account of guidance outlay as well, only slightly more than one-third of total expenditure within the Nine in relation to agricul-

¹ Doc. 165/77, rapporteur Mr Aigner

ture is financed from the budget of the Communities. Thus, while EAGGF expenditure dominates the Community budget by accounting for about three-quarters of it, that great share of Community outlay is itself dwarfed by the much larger global sums coming directly from the coffers of Member States. The implications of these figures are clearly considerable and the Commission is to be encouraged to continue its examination of the various aspects so as to ensure that, while Community expenditure is pushing in one direction, the outlay stemming from the budgets of Member States does not push, even to a partial extent, in a contrary direction¹.

(v) Technical Obstacles to Trade in Agricultural Products

55. Apart from factors referred to in the preceding paragraphs, technical obstacles to trade in the agricultural sector impede - to some extent at least - the free flow of agricultural products across Community frontiers. This has the effect of diminishing the effectiveness of the Common Agricultural Policy. The obstacles take many forms; for instance, they relate to animal health and plant health considerations, preservatives, colouring agents, labelling and packing criteria, and so on.

56. These various measures, which are so difficult to quantify, can have serious implications for Community policy and may well make for inefficiencies in the use of Community resources. It is appreciated that a great deal is being done at Community level to remove all such inessential technical obstacles. However, it would appear that further progress is needed before maximum advantage can be gained from regional specialisation in production and from Community effort in the sphere of agriculture.

(b) Monetary compensatory amounts (MCAs)

57. Accession compensatory amounts - designed under Article 55 of the Act of Accession to make it possible to offset the difference in price levels until the alignment of agricultural products prices is completed - will be abolished on 1 January 1978. On the other hand, a provision of 959.3 million EUA is shown for MCAs under Chapter 78. These are of a particularly controversial nature and Appendix 1 provides information on possible solutions.

¹On 7 July 1977 Parliament endorsed the following remark: "Concerned lest the very high level of national aid to agriculture might, in part, run counter to overall Community policy in regard to agriculture and weaken the impact of Community budgetary outlay, calls on the Commission to watch the trend and direction of national aid very carefully, reporting, if necessary, to Parliament on the situation."
(Point 55 of Mr Aigner's resolution on the 1975 discharge - Doc. 165/77 OJ Vol.20 No. C 183, 1.8.1977, p. 46/47)

(c) Regional Policy

(i) Recent comments of the Committee on Budgets

58. The views of the Committee on Budgets in regard to the European Regional Development Fund were set out clearly in the Opinion¹ adopted on 2 December 1976 and, in particular, at paragraphs 20-25 of that text. Similarly, detailed comments on the control aspects can be found in a recent Working Document². It is not necessary, therefore, to go into these aspects of regional problems again at this stage.

(ii) Range of Community policy instruments

59. As was recognized by the Commission, notably in its report³ on the European Regional Development Fund, the Regional Fund is only one of a number of Community instruments related to regional policy. Other instruments are:

- the Social Fund;
- the EAGGF Guidance Fund;
- EIB activities; and
- ECSC activities.

(iii) Need for a comprehensive approach

60. As was pointed out in the Committee on Budgets' Opinion (Doc. 440/76/Ann.), it is by ensuring a comprehensive approach and by combining all the Community's instruments that the Community's regional and structural problems can be attacked in a significant way. The Committee is aware of the fact that such a comprehensive approach is envisaged by the Commission and that, in particular, a member of the Commission is charged with securing the coordination of policies in this sphere. Nevertheless, over recent years, the nature and extent of regional problems within the Community have become more marked and the problems to be confronted are more grave.

61. As the following table shows, the gap has widened between the less fortunate Member States and those which enjoy higher rates of growth.

¹ Doc. 440/76/Ann: draftsman Mr Yeats

² PE 47.591: draftsman Mr Cointat

³ COM(76) 307

TABLE V
INDEX OF GDP PER HEAD¹

	<u>1970</u>	<u>1975</u> (At current prices and exchange rates)
Denmark	128.6	135.2
Luxembourg	127.3	117.9
Germany	124.4	131.7
France	112.9	122.3
Belgium	106.6	120.0
Netherlands	98.8	114.1
United Kingdom	89.2	78.4
Italy	70.3	59.4
Ireland	53.8	47.9

EEC =	100.0	100.0

In his report² on the 1977 budget, Lord BRUCE emphasized the feebleness of the impact of the Regional Fund on regional problems.

(iv) Financing needs

62. Having outlined the magnitude of the gap between the "outer three" and the "inner six" Member States, one feels that attention should also be drawn to the fact that, within Member States - and, indeed, within some of the richer Member States - grave regional problems exist also. It is recognized that the amount of resources likely to be available at Community level cannot eliminate these problems. But, by helping national and regional efforts, Community policy can direct development along a path that will tend to bring about, in the longer term, a better balance within the Community. The assistance from the general budget of the European Communities should trigger off the trends most appropriate to the optimum development of Europe.³ This will call for careful programming of developments with a continuous monitoring of ongoing activities.

¹ Based on data furnished by the Commission of the European Communities.

² Doc. 363/76, para. 62

³ "Regional disequilibria and the differences in per capita income they entail are of particular importance, especially since they have persisted and have sometimes even increased, thus accentuating, despite sustained growth, the tensions existing between the economies of the Member States, if not within the countries themselves. Sustained growth is a necessary precondition for solving the problems involved in regional disequilibria, but a conscious and purposive regional policy is also vital. Community policies have on the whole proved insufficient." OJ Vol.20 No. L 101, p. 10, 25.4.1977

(v) Spheres in which development finance is needed

63. The Committee considers that, at this point, it ought to put in perspective the magnitude of the task facing the Community in regard to regional problems by listing the many different actions which will need to be assisted in the furthering of regional development. These various potential demands are summarized below:

- the sparking off of a dynamic of expansion by encouraging certain key industries in selected areas;
- the strengthening of the infrastructure where judged necessary;
- the introduction of new equipment and new techniques in areas where traditional industries are declining;
- appropriate advertising and publicity so as to create a climate of public opinion conducive to expansion;
- temporary intervention, perhaps, designed to mitigate the impact of unrestrained competition;
- attention to social aspects, in particular those linked to the problems of population movement and the restructuring of agriculture;
- an over-all Community approach related to reorganization on a Community-wide scale, involving modernization of equipment and the replacement of obsolete methods; and appropriate link-up with policy in the sphere of transport, energy, infrastructure, new technology and research, and
- devoting particular attention to peripheral regions while not neglecting certain central regions threatened with decline.

64. Of course, not all of these will be helped by the general budget of the European Communities; nevertheless, the list indicates the magnitude of the challenge facing Europe.

(vi) Nature of the problem

65. The nature of the problem is succinctly put in the following quotation¹:

¹ OJ Vol.20 No. L 101, p. 29, para. 137, 25.4.1977
(Fourth medium-term economic policy programme.)

"137. To be wholly effective, regional policy must be based on an over-all approach, tackling the problem from several angles and not only through financial means, and must aim at restoring balanced economic activity in the Community as a whole. This implies the development of the backward regions, the redevelopment of declining regions, and better control over growth in the highly concentrated areas."

66. The Committee considers that the summary in paragraph 83 of the kind of problems that need to be faced up to over the decades ahead, if the Community is to be transformed, indicates that what is required is comprehensive long-term programming rather than ad-hoc regional funds with a life span of 3 years or so. Also, it is clear that a far greater financial effort is called for than has been envisaged hitherto, in certain quarters. Moreover, this financial effort - and the related need for a positive budgetary strategy - ought to be at the heart of the Community's budgetary policy over the years ahead.

The annual amount should, however, be fixed in accordance with the budget procedure.

(vii) Need for a longer-term budgetary strategy

67. What is not required is a promise to commit a certain sum over three (or so) years ahead; rather what is needed is a much longer-term undertaking to make the effort called for to transform the Community. If such an undertaking is not entered into, then the viability of the Community as an economic entity may very well come into question. Because of inflation, the envelope can have disastrous effects on the less fortunate countries. It must be recognised that a Community regional policy will remain a continuing necessity for the foreseeable future.

(viii) The idea conveyed by a special fund may be inappropriate

68. It is clear from the foregoing remarks that a substantial - and growing - share of the budget must be devoted to expenditure relating to the re-shaping of the Community. It is not necessary that this should operate through a tight fund. Indeed, the concept of a number of funds within the budget may very well be outdated¹. The budget should be viewed, perhaps, as a unified political and financial instrument rather than as a loose collection of major funds. In drawing up the new regional policy, the Community institutions must pay particular attention to the need to ensure close liaison between the different social, structural and regional policies. In regard to the regions, what is called for is a redefinition of policy rather than the renewal of the fund.

¹ See para. 6 in Doc. 83/77

69. Longer term programming is rendered all the more necessary by such considerations as that outlined in a recent document¹ prepared by three members of the European Parliament. This text indicates that, by 1990, 40% of the population of the European Communities will reside on 10% of its territories. This being the case, should budgetary policy passively accept this trend as inevitable or should there be a more positive longer term budgetary strategy designed to shape the Community along lines that would make for greater coherence and better balance?

(ix) Additionality is essential

70. There is a clear need for ensuring additionality. Community monies should add to the total effort rather than replace national monies; they should be over and above what would be available if the ERDF did not exist. Topping up is not right. Greater importance will be attached also to creating public awareness and to providing for closer Community links with the regions and with local authorities.

(x) Non-compulsory expenditure

71. In so far as future provision for regional appropriations is concerned, Parliament adheres to its clearly expressed conviction that such provisions are non-compulsory in nature.

72. From the budgetary point of view also, the Committee considers that the amount to be devoted to regional expenditure should not be fixed by way of a regulation. Such a step would be inimical to democratic processes and would impede Parliament in any steps it might wish to take in future budgets in regard to increasing, or varying in a general way, for political reasons, the sums to be devoted to regional development.

(xi) Role of the Commission

73. Arising out of its concern that the role of the Commission, in regard to implementation of the budgetary lines devoted to regional expenditure, should be safeguarded, your rapporteur maintains that, where a management committee should differ from proposals favoured by the Commission, Parliament should be consulted, with the decision being taken in the light of Parliament's observations.

¹ Britain in Europe, New Hope for the Regions by: Mrs Kellott-Bowman, Alex. Fletcher and John Osborn.

(xii) Commitments entered into but not yet matched by payments

74. In the document setting out proposals for amendments to the financial regulation, Parliament approved a number of amendments¹ which affect commitment appropriations. These proposals should apply also, of course, to commitment authorizations relating to regional policy. For Parliamentary control purposes, the provisions of Article 6(3)(c) second indent², and Article 6(5)³, in particular, are especially relevant.

(xiii) Other pointers to a difficult balance within the Community

75. At paragraph 61 above, the widening gap between the index of GDP per head of the more fortunate and less fortunate Member States of the Community is set out. Many other yardsticks point to a worsening situation which is not in the interest of any Member State - strong or weak. There is no sign of an autonomous correction of this trend. Indeed, the persistence of this internal Community weakness is reflected in the following trade figures: deficit in the trade intra-Community exchanges of the outer four Member States (Italy, Ireland, the United Kingdom and Denmark)⁴ as compared with the inner five (Germany, France, the Netherlands, Belgium and Luxembourg:

TABLE VI

				million E U R
1972	...	...	...	2,077
1973	...	...	...	5,120
1974	...	...	...	7,025
1975	...	...	...	3,647
1976	...	...	...	4,394

Sources: O J No. C 162 of 11.7.77 (page 17) and other Commission publications.

(xiv) Conclusions regarding regional problems

76. This situation is evidently most difficult and these conclusions may be drawn:

¹ O J No. C 6, Vol. 20, page 18, of 10.1.1977

² Accounting aspects.

³ Providing quarterly reports on the implementing of the budget.

⁴ Sum of the individual deficits of each of the countries with the other eight

- Parliament's budgetary decisions should reflect its previous clear resolutions endorsing a worthwhile regional policy;
- the Commission should prosecute its rôle as initiator of proposals and as the Institution responsible for implementing the budget in an unambiguous manner, especially so far as regional development is concerned;
- the Commission should give concrete evidence of its endeavours to co-ordinate Community efforts in the regional, social and structural spheres;
- the improving of the regional balance - which on recent indications is actually deteriorating - will call for a prolonged budgetary effort in mobilizing and redirecting resources;
- the effort needed in the regional policy sphere implies, as a prerequisite, the formulation of a longer-term Community programme into which broad budgetary policy may be fitted to best advantage;
- funds provided from the general budget of the European Communities should be spent in a manner that will safeguard additionality;
- provision for regional assistance should not be fixed in a regulation in a manner that diminishes Parliament's budgetary authority;
- expenditure in relation to regional development is non-compulsory by nature;
- every effort should be made to concentrate efforts on specific projects and regions so as to maximise the impact of Community solidarity in this sphere, lest budgetary resources be wasted by a too-wide dispersal of assistance for projects of lesser significance;
- the system of annual reports on regional expenditure should evolve so as to constitute a positive tool for analyzing the effectiveness of such outlay;
- transparency should be ensured by the breakdown of the Regional Fund appropriations into several items;
- priorities should be based on Community criteria and should not vary in line with different national concepts;
- the Court of Auditors and the Control Sub-Committee should control the implementation of future regional expenditure with a view to removing the danger of any irregular practices becoming established;
- Parliament should be consulted in any cases where a management-type committee differs from any proposal favoured by the Commission, which would have a budgetary rather than a technical impact, but the final responsibility for executing the budget as adopted should rest with the Commission.

(d) Social aspect of the budget

(i) Urgent need for expenditure of a social nature

77. The present conditions of high unemployment throughout the Community reveal the great extent to which there has been a falling off from the ideals and aspirations which inspired the founding of the European Communities. To correct this difficult situation, which has economic as well as social aspects, it is essential that an adequate share of Community resources be set aside to assist the underprivileged, the unemployed and the disfavoured. This earmarking is especially necessary because some of the unemployment, at least, within the Community is attributable to

- (a) the failure of the Communities to achieve a full economic union with balanced development as between the various regions;
- (b) Community commercial policy; and
- (c) factors associated with new patterns of production, trade and distribution stemming from the existence of free trade within the European Communities.

(ii) Range of Social Fund activities

78. Social Fund expenditure accounts for about one-twentieth of the total of the general budget of the European Communities. Nevertheless, as was pointed out by Mr YEATS, in his opinion¹ on the Fourth Report on the activities of the European Social Fund, this modest sum has to cover assistance to a wide range of tasks as the following outline illustrates:

- outlay in regard to young people;
- adaptation to technical progress;
- assistance to migrants;
- actions in relation to ex-agricultural workers;
- vocational rehabilitation of handicapped persons;
- assistance to persons in regions which are less favoured or in decline;
- help for those in the textile and clothing industries;

¹ PE 47.473

- pilot schemes and preparatory studies relating to:
 - listing of vocational training aids;
 - analysing the present situation and foreseeable development of non-agricultural economic activities in Brittany;
 - identifying obsolete qualifications in the United Kingdom and
 - training of instructors and social workers.

(iii) Problems with the European Social Fund

79. Experience over recent years has shown that full use was not made of the relatively limited funds available for social purposes. Problems arose because of cumbersome procedures which led to delays; payments lagged unsatisfactorily; activity tended to be concentrated in the fourth quarter; Council failed to take action on certain proposals with the result that amounts had to be carried over; a sum of 30 m.u.a. carried over for ESF purposes was diverted to EAGGF¹⁾ purposes in circumstances that gave rise to dissatisfaction in Parliament; accounting "shifts" or "glissements" caused modifications that tended to undermine good management; there was a large build-up of backlogs of payments.

80. In general, it could be said that there was considerable demand for ESF monies, but procedural and technical factors tended to reduce the effectiveness of the actual functioning of the Fund.¹⁾

An idea of the difficulties can be had from the following quotation from point 34 on page 59 of the Audit Board report on the accounts for the financial year 1975:

"It must be noted that of 372 722 795 u.a. committed during the financial year 1975 only 26 842 234 u.a. was paid, which is a proportion of 7.22%, but that proportion drops to 1.66% if one takes into consideration only the payments made against commitments entered into against the appropriations included in the budget for the financial year 1975. The last-mentioned proportion was 4% in 1974 and 0.8% in 1973.

The administrative units of the Social Fund therefore became due to pay out during the financial year 1976 about 500 million u.a., which included 154 million u.a. carried over automatically from 1974 and 345 million u.a. carried over automatically from 1975. But payments made in previous years amounted to 30 million u.a. in 1973, 194 million u.a. in 1974 and 127 million u.a. in 1975."

Clearly, good budget management makes improvements in this domain highly imperative.

¹⁾ Report of the discharge for the financial year, 1975. Doc. 165/77

(e) Administrative expenditure

81. About 7 per cent of the Community budget is spend on administrative expenditure, the main element of which is staff costs. While the provision for staff may appear relatively modest in relation to the total of the budget, it concerns, nevertheless, a vital element. The success of the Community will turn, to a considerable extent, on the calibre and quality of its officials. It is not merely a question of numbers or of rates of pay. Quality of staff, recruitment, personnel policy, training, mobility, professional outlets and the cross-fertilising of ideas are all relevant factors and must be kept under continuing review by Parliament in its work on the overall supervision of Community expenditure.

82. In his report⁽¹⁾ on the discharge in respect of the 1975 financial year, Mr AIGNER dealt with the whole question of operational expenditure, from the control point of view, in an extensive and thorough manner. It is not necessary, therefore, to go into details here.

83. Mr AIGNER noted that the use of six official languages having equal status has added considerably to expenditure. The best methods for reducing expenditure on the language service and for making it more efficient should be kept constantly in mind.

84. An initial programme of automatic translations by computers was launched by the Commission in the 1977 budget and the results of that programme should be made available to the Committee on Budgets. At a time when the prospects for enlargement are under serious examination, it would be regrettable indeed if the administrative consequences of enlargement and, in particular, the necessity to work consistently in seven, eight or nine languages were to become a major obstacle. The best solution would be a rationalisation scheme which would preserve the use of texts in all the Community languages but which would, in normal Community meetings, permit some concentration on a limited number of "vehicular" languages. It is not too much to expect that people coming to meetings should be able to understand a second language. An interpreting system which allowed for this while still allowing them to express themselves in their own language when speaking themselves would greatly reduce the scale of the problem.

¹ Doc. 165/77, pp 44-50

85. Attention has been drawn several times to the problems of recruitment of Community officials and the duplication of effort and diminution in efficiency resulting from the fact that each institution recruits independently at all levels. This is extravagant in terms of advertising, is inconvenient for applicants, wastes the time of those on examination boards and prevents the application of a professional approach to recruitment being evolved.

86. A further apparent need is for greater mobility into and out of the service of the Communities by way of a regulated flow to and from the public service of Member States, the business world, other international organisations, the universities and commerce generally. Such mobility would help to renew constantly and to refresh a part of the staff of the institutions, thus ensuring a continuous flow of expertise and new ideas; it would also be to the advantage of non-Community institutional bodies to have officials who had spent some time within the service of the Communities and who would thus have a fuller grasp of the aims and objectives of the Communities.

87. The Committee on Budgets has been informed of the activities of the Commission in studying the problems of career development of officials and of sharing work loads on an equitable basis. In particular, the Commission studied career prospects of officials and showed that, owing to current age distribution of the staff, inadequate possibilities existed for reasonable career advancement over the next few years.

88. Therefore, in the 1977 supplementary budget and the 1978 preliminary draft, the transformation of certain careers from the lower to the higher grade in each career bracket is proposed. In the light of the careful statistical and career planning analyses made by the Commission (copies of which have been given to this Committee) it is clear that, in the short term, action of this sort as requested by the Commission is necessary to maintain a personnel both vigorous and capable of development. However, this system of upgrading seems to be a temporary solution inasmuch as there must clearly be some limit to the possibilities of solving career blockages by the continuous creation of posts at higher levels. In agreeing to the budgetary request for transformations, a warning should therefore be given to the Commission that this action cannot be often repeated. They must, for the future, work out and propose more permanent and satisfactory solutions based on a higher turnover rates among more senior staff. They will require a considerable re-thinking of current retirement and pension policies which tend to lock a majority of Community officials into the service until the age of 65. A change in this situation would both allow recruitment of more fresh blood and also alleviate promotion blockages with little or no need for upgradings.

89. Nor should the institutions shy away from the recruitment of experts, where specialised advice is necessary on a short-term basis. However, under no circumstances should this flexibility of service act as a back door into the permanent service of the institutions. Personnel planning should develop a capability that guarantees an adequate career development for officials whilst at the same time encouraging a higher proportion of officials to move out of the Community service having gained the useful experience that such service provides.

90. It would appear to be desirable to have inter-institutional open competitions for all grades on a unified basis. The following arguments could be advanced in favour of such a development:

- it would improve the image of the institutions which, though they have separate roles, really constitute a single family of responsibility in regard to the Communities;
- for the smaller institutions, open competitions are relatively expensive and may perhaps even be impracticable when it comes to filling two or three posts that arise at irregular intervals;
- the image of the institutions is also at stake because overlapping advertisements for different institutions appearing on the same day, or on successive days, can give to the general public an impression of confusion within the Communities. The cost to competitors and to examiners is a factor which should not be neglected either;^I
- if all the institutions were drawing from a single examination results list, an annual examination for all grades would be a practicable consideration. This could be more fully advertised and would improve the organisation of recruitment. With the present arrangement, where lists remain valid for quite a long time, delays and wastage arise because some candidates obtain other jobs in the interim.

91. Therefore, the creation of a Community Recruitment Agency, which would be responsible to all the institutions who would inform this Agency of their staff requirements each year, is proposed. The Agency would then be charged with the task of establishing, each year, up to date reserve lists of candidates selected on the basis of open competitions for each category of staff. The Agency should be made up of a small staff of professionally trained personnel officers with a wide experience of recruitment in both the Community institutions and Member States. Undoubtedly, the examinations and tests should be of a standard which is in line with the current practice of recruitment in the public service of the Member States.

^IThe combination of internal and external competitions can impose an intolerable work load on members of staff permanently attached to different services. In a small institution alone it is possible for as many as 100 competitions to take place in one calendar year.

92. This Agency should make for considerable economies in the use of the time of senior officials now involved in competitions; it should streamline recruitment procedures and give a better image to the institutions.

93. The creation of a single unified translation service common to all the institutions would appear to merit active consideration. Modern means of communication would overcome the difficulties created by the temporary dispersal of the institutions. It is clear that this project is a longer-term goal - the immediate aim should be the avoidance of any overlap of the work of the different translation services between the institutions.

94. As regards mobility, it is vital that a more positive and dynamic course should be followed by the institutions. The situation where certain officials are locked into certain jobs for many years is unsatisfactory. Mobility, both within the service, between institutions and into and out of the service should be encouraged by positive management. It would stimulate the interest of officials and broaden their experience. The news that the Commission is this year launching its own internal planned mobility scheme is welcomed. It should be invited to report early next year on its experience and to recommend extensions that could involve the other institutions as well.

(f) Overall policy on Development Aid

95. Parliament has a most positive attitude towards the securing of an overall Community policy in regard to development aid. This stance has been reflected in reports of Parliament too numerous to cite here. As the opinion of the Committee on Development and Cooperation goes into the matter further, it would be sufficient, at this stage, to recall point 13 of the guidelines resolution on the 1978 budget which stated:

(The European Parliament) "endorses a continuation and improvement of projects for aid to developing countries and calls attention to the need for a vigorous programme for the transfer of technology designed to improve the productivity of indigenous food-producing techniques".¹

96. In development aid, special importance attaches to food aid. The present levels appear to be insufficient. It should not be a question of there being large stocks of certain commodities available in the Community - Parliament has, in fact, reiterated its conviction that agricultural markets support policy and aid policy should be kept quite separate. There should be a coherent and unified aid policy. The Control Subcommittee has this subject under examination and has noted that there are obstacles - notably of a budgetary nature - which hamper such a policy. It is examining the matter and will put forward its conclusions shortly.

97. Aid to non-associated developing countries is tremendously significant, as well. While the total population of the Lomé countries is considerable, the number inhabiting the non-associated countries is much greater and there are large areas of dire poverty. Parliament has, rightly, been at the root of the fostering of a Community policy in regard to the non-associated developing countries and these should find a worthwhile reflection in overall Community aid policy.

98. It is noteworthy that, in the 1978 budget, provision will be made for almost 100 million EUA in respect of payments related to the financial protocols with twelve countries in and around the Mediterranean basin.

99. Attention is drawn once again to the importance attaching to the budgetisation of EDF operations which should be effected by the time the present Lomé Convention expires, at the latest.

¹ Doc. 83/77, page 7
OJ Vol. 20 No. C.133, 6.6.1977, page 20

IV PARLIAMENT'S POLICY GUIDELINES IN RESPECT OF THE 1978 BUDGET

100. As indicated in Paragraph 39 above, the European Parliament was more fully involved in the formulation of budgetary and financial policy for 1978 than had been the case in preceding years. The Committee on Budgets gave careful consideration to the Commission's overall assessment of the Community's budgetary problems and, in a report adopted on 28 April last, set out its guidelines for the year ahead. This report was considered by Parliament in session on 10 May and in a resolution adopted on that date ⁽¹⁾ ⁽²⁾ ⁽³⁾ the following points were stressed:

- first of all, Parliament called for the adoption of the amendments to the Financial Regulation, the timely introduction of the EUA, and the establishment of the conditions necessary for setting up the own resources system on 1 January 1978;
- the Commission was urged to put forward proposals to the Council which would create the conditions conducive to optimum use of Community resources.
- Attention was drawn to the need for added flexibility and the possibility of an improved financing capacity by way of long-term borrowings was endorsed.
- Parliament urged that the 1978 budget should mark a turning point in the development of the Communities, should be related to the needs and goals of the Community and should be a comprehensive policy document which would enable the implementing of responsibility under the Treaty and that it should not be a mere accounting text;
- the importance of making provisions which would obviate the need for avoidable supplementary budgets was underlined;
- significant new proposals, which would catch the imagination and the support of the European public, were suggested;
- as regards agriculture, a better equilibrium between the guidance and guarantee expenditure was demanded;
- comprehensive policies in the spheres of energy, research and transport were called for;

(1) Com (77) 20 final

(2) Doc. 83/77

(3) OJ Vol. 20, No. C.133, 6/6/77, page 20.

- in relation to industry and energy, the importance of making available funds to finance the development of the advanced technology sector of European industry was insisted on;
- in view of the difficult employment situation, specific measures to assist small and medium enterprises were urged;
- attention was drawn to the importance of the energy sector;
- as far as social and regional policies were concerned, Parliament demanded a substantial modification of the weak Community policies of past years;
- as regards aid, the continuation and improvement of projects was endorsed and a programme for the transfer of technology designed to help improve the productivity of indigenous food producing techniques was called for; and
- the importance of tying in with the multi-annual budgetary forecasts was also recalled.

Therefore, the Commission, in preparing the final version of the preliminary draft budget, and the Council, when later considering the draft budget, had a clear idea of the areas of Community activity to which the European Parliament gave political priority.

V THE PRELIMINARY DRAFT BUDGET

101. The Preliminary Draft Budget presented to the European Parliament, via the Committee on Budgets on 27 May 1977, took account, to a considerable extent, of the concern expressed by Parliament. The total proposed in payments was 11,850,370,803 EUA, an increase of 23.62% on the 1977 provision (including the preliminary draft of the first supplementary budget and the letter of amendment). The document was drawn up in the new EUA and included VAT as an own resource.

102. The following table shows a percentage breakdown of the payment appropriations:

TABLE VII

	<u>1977</u>	<u>1978</u>	<u>* Percentage increase 1978/1977</u>
Agricultural sector	73.93	69.66	16.5
Social sector	1.65	4.70	251.7
Regional sector	3.32	5.06	88.3
Research, energy, industry & transport	2.31	3.23	73.0
Development cooperation	5.35	5.34	23.3
Miscellaneous	-	-	-
Staff	3.59	3.39	16.8
Administrative expenditure	1.02	0.91	11.2
Information	0.08	0.11	64.7
Aid & Subsidies	0.37	0.38	25.4
Contingency reserve	0.04	0.04	25.5
Reimbursements to Member States	<u>6.30</u>	<u>5.48</u>	<u>6.0</u>
Commission total	98.06	98.31	23.9
Other Institutions	<u>1.94</u>	<u>1.69</u>	<u>8.1</u>
Total	100.00	100.00	23.6

* This column relates to the basic figures and not to the percentage changes shown on the left.

103. The Commission's document was positive in a number of respects. In the energy field, there were proposals for a wide range of activities. There were proposals for larger sums in respect of food aid and for payments in respect of the recently concluded financial protocols; as far as the Regional Fund was concerned, there was an attempt to provide for expanded activity. So as to increase the impact of the Social Fund, a 250 per cent increase in payments was proposed. Increases were also suggested in regard to industrial activity.

104. On the negative side, however, it could be held that the share of the preliminary draft budget to be devoted to agriculture was too large - especially as the rapporteur, among others, pointed out that the letter of amendment had yet to come, that Council always tends to cut back on non-agricultural expenditure and that the Spring price review tends to add to expenditure in relation to agriculture. Furthermore, the lion's share of the increase in the preliminary draft budget, 1,167,719,000 EUA out of 2,249,267,514 EUA, arose in the agricultural section.

105. In regard to the Social Fund, it was suggested "that proposals will be made in due course for the budget appropriations necessary" to cover prospective new operations, (page 57, final paragraph). It was also stated that "The Commission has included in the preliminary draft budget for 1978 a new budget heading (Article 375), Community re-organisation and re-development operations in connection with the crises in certain industrial sectors, with a "token entry" for the time being" (page 79, final paragraph). Indeed, the readiness of the Commission to suggest "token entries" fairly widely in the budget was criticised by many members of Parliament.¹

The view was held also that the provision made in the preliminary draft budget for the Regional Fund was not sufficient to make a real impact on the Community's grave regional problems.

106. The feeling was also expressed that, with a new Commission, rather more in the way of new activities might have been suggested; also that they were, perhaps, rather too concerned to trim non-agricultural expenditure so as to ensure that agricultural outlay could be financed without breaching what the Commission apparently regarded as a basic tenet; that a stringent approach be observed overall; this way, Community budgetary policy would be closer in line with that of Member States. It should be pointed out that it is recognised that the Community budget should take on those activities which can better be undertaken at a Community level than at a national level.

¹It is appreciated that a token entry is appropriate when appropriations are entered in Chapter 100, where adjustments may arise or where there are lines relating to the guarantee for lending/borrowing operations.

107. Since the Community budget must finance growing Community activity, this implies a faster growth than that envisaged by the Commission in the preliminary draft budget 1978 because a transfer to the Community budget, with a consequent increase in the level of the latter, must make the Community budget grow at a faster rate.

108. As the following table shows, the Commission put forward a number of worthwhile proposals for new commitment authorisation lines in Title 3. These are in areas which touch on vital interests of the Community for the future, where a multi-national approach is ideal since it would avoid overlapping of effort and waste of resources and, furthermore, they are areas in which the commitment authorisation technique would appear to be eminently desirable because the work in question must, of necessity, spread over a number of years.

Table VIII

List of new lines for which the Commission envisaged commitment authorisations

<u>Articles & Items</u>	<u>Heading</u>	<u>Commitment Authorisation</u>	<u>Approps. for payment</u>
323	Use of coal in power stations	75,000,000	8,000,000
3240	Community energy-saving programme	45,000,000	17,000,000
3241	Coal gasification and liquefaction	16,000,000	9,000,000
3242	Exploitation of geothermal resources	9,800,000	2,000,000
3702	Implementation of the four-year development programme for the data-processing sector	15,000,000	11,000,000

109. Since presenting the preliminary draft budget, the Commission has made available another text regarding the preparation of public budgets for 1978⁽¹⁾. Paragraph 24 of this document states:

"More use than in the past should now be made of budgetary policy as an instrument of growth policy. Some strengthening of measures taken to stimulate investment is necessary in order to make up lost ground as far as meeting medium-term targets is concerned and to accelerate the return to full employment."⁽²⁾

This statement is in accordance with the views expressed by Members of Parliament in regard to the 1978 budgetary guidelines; however,

⁽¹⁾ Com (77) 315/final

⁽²⁾ Also, recent newspaper reports have indicated that France and Germany both plan expansionary budgets for 1978, using the budgetary deficit to boost the economy.

it must be said that it was not always possible to discern its implementation in the provisions which the Commission had suggested for Community expenditure in the 1978 preliminary draft budget.

110. These comments apart, the Committee on Budgets tended to the view that the preliminary draft budget 1978, presented by the Commission, was positive in many respects - notably in regard to the legal and structural framework - and provided a basis for a worthwhile and constructive political inter-Institutional discussion on Community budgetary policy for 1978.

VI. DRAFT BUDGET 1978

(1) Shortcomings

111. An analysis of the draft budget 1978, as approved by Council, reveals a most unsatisfactory situation.

- It appears that the Council has not heeded the comments made by Parliament on many issues regarding budgetary policy for 1978 as set out in the guidelines resolution, as expressed in the May and July sessions and as were presented formally at the meeting with Council on 20 July 1977.
- The likely need for supplementary budgets is foreshadowed in the Council's explanatory volume, despite the fact that the European Parliament has indicated, time and again, that it is opposed to avoidable supplementary budgets.⁽¹⁾
- The possibility of there not being in existence the EUA machinery in time for the 1978 budget is cited by the Council without any sense of urgency attaching to it.
- Drastic cutbacks have been effected by the Council in the non-agricultural part of the budget with the result of pushing up the percentage of the budget to be devoted to agriculture and of making nonsense of budgetary policy in several non-agricultural spheres.
- The Council also adverts to the possibility of VAT as an own resource being in doubt for 1978, despite the fact that Parliament has for long attached great importance to this development being made operational for next year.
- The explanations furnished by the Council for cutbacks on the Commissions's proposals in the preliminary draft budget are inadequate and in no way measure up to the meaningful explanation Parliament would seek.
- The Council blocks, in a scandalous fashion, the making of budgetary provisions by delaying decisions on important policies and actions - for example JET and the European Export Bank.
- It is difficult to imagine how Council can envisage real discussion with the European Parliament on the financial regulation given that Council has ignored Parliament's suggestions in regard to the 1978 budgetary policy.

(1) The Council has agreed, in principle, to the unforeseeable, unavoidable and exceptional character of supplementary budgets in its common position on the Financial Regulation amendments.

- There is clear evidence in the draft budget of fundamental differences between the Council and Parliament in view of the former's insistence on presenting the budget primarily in commitment authorizations form and in view of its destruction of several Community policies by inaction or by excessive reductions.

112. It can hardly be possible to regard the draft budget as a basis for the work of the European Parliament on the preparation of the 1978 budget. The Council has used Article 203 of the EEC Treaty in an irresponsible way which seems to be inspired by the idea that it can cut back the preliminary draft budget in the anticipation that the European Parliament would restore appropriations in respect of several Community policies in a serious and responsible manner.

113. This negative attitude on the part of Council was particularly apparent in the domains of research, energy, industry and transport. In these spheres, the Council has systematically refused to provide appropriations which would permit of a progressive development of Community policies.

(ii) Tabular breakdown

114. The table on the following page shows a comparison between the breakdown by title in the preliminary draft budget and the draft budget. This highlights very clearly how much the Council cut back on all areas of Community expenditure other than agriculture. A factor to be borne in mind, however, is the transfer by the Council of the provisions for food aid refunds from Chapter 92 to Title 6.

115. The percentage breakdown in Table X shows how drastically the Council cuts altered the balance between agriculture and the other blocks of expenditure.⁽¹⁾ While the Commission proposed that payments in regard to regional, social, research, energy, industry and transport activities should account for 12.99 per cent of the total budget, the Council has cut these back to 9.27 per cent. This is a stagnant budget which will do nothing to improve the economic balance within the Community. It does not face up to the major social problems of employment and regional drift. It does not even attempt to get to grips with the grave threat to the Community's future which is posed by prospective energy and raw material shortages. It is a document which emanates from a Council whose crude decision-making procedures - culminating too often in frustrating negatives - are out of touch with the real needs of the Community.

(1) The extent of the cutback, viewed in terms of the commitments presentation, is shown in Appendix II.

TABLE 1X

PAYMENTS 1978

<u>Title</u>	<u>Preliminary Draft Budget</u>	<u>Draft Budget</u>	<u>Variation (+ or -)</u>
	<u>EUA</u>	<u>EUA</u>	<u>EUA</u>
Agriculture	8,254,722,600	8,575,162,600	+ 320,440,000 *
Social sector	556,974,500	413,702,000	- 143,272,500
Regional sector	600,000,000	390,000,000	- 210,000,000
Research, Energy, Industry, Transport	382,291,017	244,467,003	- 137,824,014
Development cooperation	633,045,700	300,332,000	- 332,713,700 *
Others	-	-	-
Staff	401,731,300	384,876,800	- 16,854,500
Administration	108,413,200	105,580,200	- 2,833,000
Information	13,392,000	9,018,000	- 4,374,000
Aids and Subsidies	44,811,700	41,558,100	- 3,253,600
Contingency reserve	5,000,000	5,000,000	-
Refunds to Member States	<u>649,260,000</u>	<u>649,260,000</u>	<u>-</u>
Total			
Commission	11,649,642,017	11,118,956,703	- 530,685,314
Other Institutions	<u>200,728,786</u>	<u>199,759,747</u>	- <u>969,039</u>
Grand Total :	11,850,370,803	11,318,716,450	- 531,654,353

* The Council decided to reinstate the appropriations for food aid refunds in Title 6; the Commission had proposed that these should be included in Chapter 92 (food aid).

A presentation, which takes account of the amending letter, is given at Appendix IV

TABLE X

PAYMENTS 1978

<u>Title</u>	(1)	(2)
	Preliminary Draft Budget 1978	Draft Budget 1978
	%	%
Agriculture	69.66	75.76
Social sector	4.70	3.66
Regional sector	5.06	3.45
Research, Energy, Industry, Transport	3.23	2.16
Development cooperation	5.34	2.65
Miscellaneous	-	-
Staff	3.39	3.40
Administration	0.91	0.93
Information	0.11	0.08
Aids and Subsidies	0.38	0.37
Contingency reserve	0.04	0.04
Refunds to Member States	<u>5.48</u>	<u>5.74</u>
Total Commission	98.31	98.24
Other Institutions	<u>1.69</u>	<u>1.76</u>
Grand Total :	100.00	100.00

To facilitate members, a commitments presentation is set out in Appendix II

(iii) Attitude to supplementary budgets

116. Parliament has consistently opposed recourse to avoidable supplementary budgets. A supplementary budget should appear only in circumstances which are exceptional, unavoidable and unforeseen⁽¹⁾. The annual budget is regarded as being a comprehensive policy document which endeavours to forecast the probable level of expenditure for the year ahead. It should be a unified text which has no reservations regarding further possible additions. By being complete, it enables the Commission, from the outset of the financial year, to fit together the various policy areas for coordinated implementation. Parliament's political debate is better informed if it relates to the complete budget. Moreover, from the economic viewpoint - and it should not be forgotten that the budget is an economic instrument as well as a political one - what is significant is the impact of the total budget. 1

117. Therefore, the Committee on Budgets was particularly disturbed to read the Council's reference to the supplementary budget procedure⁽²⁾ and also by the widespread use of the token entry procedure and of the deferral of decisions, which, if taken, will require additional funds - thus, perhaps, calling for mid-year VAT rate changes.

118. There are several ways in which provision could be made - even when the legal basis of the activities in question has not been fully specified when the budget was being prepared; there is the possibility of using the provisional appropriations or the reserves for contingencies techniques or the entry could be frozen on the line.

(iv) Token Entries

119. The Committee on Budgets noted with great dissatisfaction that the draft budget contains over one hundred "token entries". The reference in the Financial Regulation⁽³⁾ to the "token entry" technique is of a fleeting nature. There can be no justification for unlimited recourse to this system which runs counter to the ideas of budgetary clarity and transparency.

(v) Explanations

120. The special nature of the Community institutions and their collaboration in the budgetary context makes it essential that the Council should furnish adequate and meaningful explanations for cuts made where the Commission enters provisions in the preliminary draft budget. Parliament has called for this on several occasions - and especially

(1) This was stressed by way of amendment to the financial regulation: Doc. 469/76

(2) Draft budget, Vol. VII, Page 32.

(3) Article 21, paragraph 5.

in the context of the amendments to the Financial Regulation⁽¹⁾. If this is not done, Parliament can only surmise. The material provided in Volume 7 this year by way of explanation for cuts made by the Council when preparing the 1978 draft budget was exiguous. All too frequently it does not convey enough information to enable Parliament to arrive at a balanced appreciation of the Council's reasoning. Too often, the "explanation" in Volume 7 is unsatisfactory for other reasons: "meet any shortfall in payment appropriations by recourse to either the transfer or the supplementary budget procedure" (page 32), "no basic decision on this subject yet existed" (page 43), "The Council did not consider it necessary to enter commitment appropriations against headings 92, 930, 9310, 932 and 9450...." (page 56), "For reasons of budgetary necessity, the Council made certain reductions to the following headings..." (page 58).

(vi) Other Points

121. It emerged clearly from the explanatory volume accompanying the draft budget 1978 that the Council believes that the EUA may be in doubt and that the basis for VAT may not be operational in time for 1978. If this were to happen, major reforms would not have been effected and Parliament would feel gravely concerned over the failure of the Council to honour past pledges.

(vii) Failures in the decision-making process

122. Above all, the explanatory volume reveals a major breakdown in the decision-making process within the Council. At a time when the Community has to face up to a whole series of problems, the Council has failed to reach decisions on projects of a Community nature. Because of this, the draft budget 1978 is a stagnant one which could lead to loss of time in grappling with major difficulties with the most serious consequences for the people of Europe.

In the following parts, the Committee comments on receipts, the 1977 triologue and the triennial financial estimates; in Parts X and XIII the Committee returns to a consideration of the amendments to the draft budget.

(1) Article 12, paragraph 2.

VII. RECEIPTS

123. A most important factor in the 1978 budget is the setting up of the full own resources system for the budget of the European Communities. With the establishment of value added tax on a Community basis, the Communities can be said to have 'come of age' as a fiscal entity. However, some months before the hoped for entry into force of the system, the legal basis for the change which fiscal autonomy involves for the Communities has not yet been finally adopted. Discussions still continue on the precise basis of operation of the sixth VAT directive; this situation reflects the Council's efforts to hold the budgetary sovereignty of the Community under the control of the Member States.

(a) Consequences of fiscal autonomy

124. An aspect of fiscal autonomy is the need to have a link - arising from the point of budgetary equilibrium - between receipts and expenditure, not at the level of the implementing of the budget, as is the case at present, but at the point in time when the estimates are prepared. In fact, the own resources system would require that receipts are no longer made available to the Communities according as the need arises but, instead, expenditure is met from a treasury which is fed, in a global way, throughout the year by receipts collected in the name of the Communities.

125. The balance between receipts and expenditure cannot therefore be expected to exist at a point in time other than that at which the estimates for the year are drawn up. Since receipts cannot be increased indefinitely - for clearly apparent political and economic reasons - it appears that, in the relatively near future, the Community budget will have changed in nature; what was an expenditure budget will become a budget determined by potential receipts. For the European Parliament, therefore, the political interest of Volume 1 of the draft budget will, to some extent at least, begin to balance that of Volume 4.

126. In layout and presentation, Volume 1, which has not been changed in any significant way by comparison with the old system of Member States' contributions, seems inadequate to allow the Budgetary Authority to exercise its competence. The breakdown of own resources by Member States is more of a statistical interest than a budgetary preoccupation and greater stress should be placed, in future, on breakdown by categories of receipts.

127. Budgetary autonomy implies fiscal autonomy. The right to consent to the level of taxation is a traditional prerogative of parliaments. Therefore, it would appear that the Community tax structure ought to be modified fundamentally so as to take account of this element and so as to permit Parliament to exercise fully its responsibilities in regard to receipts.

(b) Power of Parliament in regard to the receipts
part of the budget

128. On the basis of Article 203 of the Treaty, Parliament has a right to amend the estimates of receipts. In the system of own resources, the receipts side becomes an essential element and this right takes on a special significance. It can be exercised, however, only if a series of obstacles is removed.

129. First of all, careful consideration could be given - perhaps in the forum of the Ad Hoc Working Group - to the practice of inserting some receipts in the expenditure part by way of re-use. In many Member States, this practice does not apply because it is considered to be a factor which limits budgetary transparency.

130. As regards receipts flowing from VAT, Parliament possesses the power to fix the rate at the end of the budgetary procedure. Clearly, this power is limited because it depends directly on the volume of expenditure. It also has something of a provisional nature because one can already foresee a point in time when the ceiling of 1% on the VAT rate may be reached. Nevertheless, it is a highly visible sign of Parliament's fiscal responsibility in so far as the Community budget is concerned.

131. For the financial year 1978, the fixing of the rate of VAT by Parliament could pose a number of problems. The Commission has, in effect, proposed two methods for settling the base: one related solely to estimates, the other altering these estimates by a substantial percentage so as to cover a gap in the treasury resulting from the change over from the old system to the own resources system. Having first of all proposed the second system, the Commission, at the request of Parliament, has come round to the idea of endorsing the first-mentioned method which enables a lower and more realistic VAT rate to be determined.

(c) Danger that own resources may become disguised
contributions

132. There is also the danger that "own resources" could become disguised contributions, if the link between the taxpayer and the Community were allowed

to become too tenuous; this is a development which Parliament would resist with determination.

(d) Estimates of receipts

133. In view of the foregoing comments, it is evident that a special effort must be made to ensure that the estimates of receipts are precise and accurate. The reason for that has been set out at paragraph 23 above, and in the passage in Part IX devoted to the budgetary need for triennial financial estimates. Furthermore, these estimates of receipts should be closely tied in with the estimates for the overall economic situation.

134. For the information of Members, the following two tables set out a breakdown of the forecast of own resources for the three years ahead¹.

TABLE XI

Forecasts of Own Resources

(i) Percentage Breakdown

	<u>1978</u>	<u>1979</u>	<u>1980</u>
Customs Duties	41.3	41.0	42.0
Agricultural levies	11.1	10.2	9.7
Sugar levies	3.1	2.3	2.1
Expenditure to be covered			
by VAT	44.5	46.5	46.2
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

(ii) Percentage Increases or Decreases

	<u>1979</u> <u>1978</u>	<u>1980</u> <u>1979</u>
Customs duties	11.0	10.5
Agricultural levies	2.5	3.0
Sugar levies	- 16.0	- 1.6
Expenditure to be covered by VAT	16.9	7.5
Expenditure to be covered by own resources (Total)	11.9	8.1

¹ Source: Table 2 of Annex I to Volume 7 of the Preliminary Draft Budget.

(e) Control of own resources

135. Parliament's enhanced responsibility in regard to the receipts side of the budget, now that conditions of full financial autonomy have come about and now that it is responsible for finally adopting the budget, obliges it to watch very carefully over the collection of own resources. For this reason, it asks the Control Sub-Committee to follow up the work done by it in regard to the 1975 discharge by paying particular attention to the verification of the collection of own resources.

136. Now that Member States no longer have a direct interest in regard to the collection of customs duties, efforts must be made to ensure that distortions in collection methods as between different ports do not give rise to possible loss of revenue to the general budget. A special task for the new Court of Auditors will be the overseeing of the setting up of the new VAT system. Furthermore, it is desirable that the Commission of the European Communities should submit a report on the prospective medium-term and, indeed, longer-term evaluation of Community revenue. If Parliament is to look at a budget which has a potential for expansion related to the taking on of activities that can be dealt with more efficiently and more economically at the Community level than at the level of Member States, such a document is necessary.

137. For the information of Members, Appendix III sets out particulars of estimates and out-turn of budgetary receipts for the years 1971 to 1976.

It is apparent that, when due allowance is made for the many factors that can distort the flow of revenue, the Commission's estimates in regard to the yields of the common external tariff, agricultural levies and sugar levies were relatively accurate.

With VAT, a new element broadly based and related to the overall economic situation, will be added to the Community receipts. This, in turn, will link the budget more closely to the general economy of the Community.

VIII THE 1977 BUDGETARY "TRIALOGUE"

(i) Work in 1977

138. At this point in the explanatory memorandum, the Committee on Budgets considers that the arrangements for considering the budgetary framework and procedures, in so far as they concern Parliament, the Council and the Commission, should be discussed. As was the case last year, the Ad Hoc Working Party on the Inter-institutional Dialogue on Certain Budgetary Questions, met during the first half of 1977. The ensuing report,⁽¹⁾ drawn up on behalf of the Committee on Budgets, reiterated a number of worthwhile reforms.

139. This report aimed at strengthening the "trialogue" on budgetary problems which was initiated in 1976 with a view to ensuring that the budget was adapted, where necessary, to suit the new institutional and financial realities. The 1977 report developed further the matters considered in last year's report.⁽²⁾ Thus, the working party endeavoured to improve on the results already obtained in the preceding year and to take into account subsequent developments. Its aim continued to be the putting forward of practical proposals for improvements.

(ii) Main conclusions

140. The principal conclusions, which were contained in the report and which were endorsed by Parliament on 15 June 1977,⁽³⁾ may be summarised as follows:

- "(a) The Community must rationalize and develop its borrowing and lending activities authorized and supervised by the budgetary authority;
- (b) Parliament must be consulted in good time on the budgetary implications of Cooperation Agreements, which should be financed by the Communities' budget in the form of non-compulsory expenditure;
- (c) decisions on the opening of new lines for commitment authorizations and on the annual amount of these commitments are to be taken during the budgetary procedure;

(1) Doc. 119/77

(2) Doc. 97/76

(3) O.J. No. C 163, 11 July 1977

- (d) under a full-scale system of own resources supplementary budgets must become a rare exception mainly as a result of using rectifying budgets;
- (e) the budgetary authority should be responsible for amending the nomenclature, chiefly on the basis of the proposed improvements submitted by the Commission in the preliminary draft budget;
- (f) the structural decentralization of the Commission must be closely monitored to ensure the budgetary consistency and clarity of the activities of this institution;"

(iii) Failure of the Council and the Commission to react satisfactorily

141. When forwarding the report (Doc. 119/77) to the Commission and the Council, Parliament expressed the hope that the Inter-institutional dialogue would be pursued expeditiously so as to reach agreement on the main questions in time for the opening of the budgetary procedure for the 1978 budget.

It is, therefore, most regrettable - and, indeed, even discouraging - that, by mid-October,¹ the Council had not replied, formally or informally, to Parliament's views as presented in the report in question.

The purpose of Parliament's work in this context was the setting up of the 1978 budgetary procedure on a clear basis; this has been jeopardized; therefore, the Committee on Budgets and Parliament has no choice but to change into fully-fledged budgetary amendments the unchallenged conclusions reached by Parliament last June.

¹ The Commission transmitted its observations to Parliament by letter of 3 October 1977.

IX TRIENNIAL FINANCIAL ESTIMATES 1978-80

(i) Legal Basis

142. So as to place the budget of the Communities within a framework of forward planning for several years, the Commission is required to draw up triennial forecasts showing the financial implications of existing Regulations and Decisions and of proposals submitted by it to the Council. This is done following a decision of the Council of 21 April 1970⁽¹⁾.

(ii) Budgetary need for such forecasts

143. The growing volume of the Community budget and the need to take care of provisions for commitments in respect of actions requiring two or more years to complete have added to the importance attaching to sound estimates of the likely level of future year expenditure. These forecasts, if carefully elaborated, would enable the budgetary authority to arrive at a better informed overall view of the medium-term implications of the particular budget under consideration. Furthermore, as well as giving to the Community budget an improved image of coherence and continuity, the triennial forecasts should act as a link between the annual budget and the longer term financial requirements; the forecasts should make for improved policy planning and formulation.

144. These considerations have been discussed at paragraph 22 above, in the passage dealing with commitment authorisations. It is because of the need to be able to cope with the results of commitments that improved medium-term estimates of payments patterns and of the flow of receipts have become more important in considering the annual budget. Since the total of (i) customs duties, (ii) agricultural levies and sugar levies and (iii) a sum equivalent to up to 1% of the common basis of assessment of VAT, represents, broadly speaking, a ceiling on the growth of Community fiscal activity, it is imperative that the best possible forecasts be available. In stating this, the Committee on Budgets does not overlook the further margin of flexibility represented by miscellaneous receipts or by potential borrowing capacity; the Committee would say, however, that urgent consideration should be given to early examination of the fiscal basis of the Community budget.

⁽¹⁾ OJ No. L94, page 23, 28.4.1970

(iii) Political significance

145. Parliament has - especially in recent years - attached great political significance to the multi-annual forecasts. The budget itself is primarily an annual exercise which ensures that the necessary level of receipts is available to meet voted expenditures for the year ahead. However, Parliament must have an overall view of the evolution of Community actions and must be in a position to judge the likely consequences of decisions being taken in the context of the annual budget. There is also the need to be able to ensure the coordination of the various sectoral policies. As indicated in the preceding paragraph, this is especially important in the future conditions of financial autonomy.

(iv) Past experience of the Committee on Budgets

146. The triennial forecasts prepared in the past two years in the context of the 1976 and 1977 budgets were found to be less than satisfactory. This was so mainly because of their lack of policy content and because the estimates were insufficient as regards the development of new policies⁽¹⁾.

(v) The forecasts for the three years ahead

147. The triennial forecasts now placed before Parliament are of a high technical quality; the objectives are clearly defined and the statistical data is presented in a readily accessible way; the presentation has a higher policy content than in past years. Nevertheless, the document consists of a projection into the future of the present situation. There is no effort to inject the estimates for desirable new policies that have yet to be put before the Council. Since the Commission confines itself to covering existing policies or policies about to be adopted, the figures represent minimal estimates.

(vi) Shortcomings

148. By not putting in estimates for desirable future policies, the Commission opens the Community to the criticism - perhaps only too justified - that it is incapable of taking urgent decisions or of putting forward viable plans and that it is immobile. The budgetary authority should have before it objectives for the future and not a recital of the institutional obstacles in the way

(1) Report of Lord Bruce of Donington, Doc. 363/76, page 71

of presenting a possible three year plan. The weakness is recognised by the Commission in the final paragraph on page 19 of the Annex to Volume 7 of the preliminary draft budget which states:

"It follows from this that actual requirements towards the end of the estimated period will generally be higher than the figure published in the triennial estimates. There might therefore be a case for supplementing the method in use by an explicit correcting factor which would have the effect of retaining the advantages of the present procedure whilst lessening the disadvantages quoted above."

Parliament would warmly urge the Commission to go ahead with this improvement - and to put forward formally the necessary revisions to the basic decision that would enable it to present the comprehensive estimates required by Parliament.

149. The kind of problems envisaged are typified at page 45 of Annex 1 to Volume 7. There the Commission, having first of all alluded to the goal of a reduction from 63% to 40% by 1985 in the Community dependence on imported energy resources, backpedalled to a less ambitious objective of a 50% reduction. Then, the Commission goes on to state that "it is quite clear that the contribution the Community Budget makes to the energy policy is inadequate for the effort required". Thus, the way is opened for less ambitious - and indeed inadequate - estimates.

150. The Commission made a special effort to cope with EAGGF expenditure which dominates the budget. The difficulties in this major sector and the shakiness of the figures as a whole are underlined by the following comment on page 28:

"Expected uncertainty factors. The figures assume a median case with limited growth, expenditure in 1977 and 1978 having been particularly high and therefore not representative of the general trend.

Expenditure may be up to 1,000 million u.a. higher or lower than the median case as a result of:
policy pursued"

For the information of members, the following table sets out the key figures from the Commission's financial forecast for the next three years.

¹Of the preliminary draft budget

Table XII
Triennial financial estimates 1978-79-80
Expenditure and resources
- Summary -

HEADING	Appropriations for payment			
	1977	1978	1979	1980
	m EUA			
EXPENDITURE				
1. Agricultural sector				
- EAGGF Guarantee Section	6923,8	7795,1	8150	8500
- EAGGF Guidance Section	157,8	451,7	416,8	518,2
- Other (Chap. 31)	5,4	7,9	8,7	9,1
Sub-total	7087,0	8254,7	8575,5	9027,3
2. Social sector	158,3	557,0	776,7	830,6
3. Regional sector	318,6	600,0	800,0	1025,0
4. Energy, research, industry, transport	221,0	382,3	598,2	704,9
5. Development cooper- ation	513,4	633,0	818,9	982,3
6. Miscellaneous intervention	token entry	token entry	100	token entry
7. Operating expenditure	489,2	573,3	640,7	709,6
8. Repayments to Member States	612,8	649,3	700	760
9. Commission: Total	9400,3	11649,6	13010	14039,7
10. Other Institutions	185,7	200,7	225	250
11. GRAND TOTAL ⁽¹⁾	9586	11850	13235	14290
Total percentage increase		23,7	11,7	8,0
RESOURCES				
1. Miscellaneous resources		160	160	160
2. Customs duties, agricultural levies and sugar levies		6493	7000	7598
3. Expenditure to be covered by VAT		5197	6075	6532
4. TOTAL		11850	13235	14290
- 1% of VAT assessment base		6802 (8502) ⁽²⁾	9516	10562
- VAT rate in percentage		0,76 (0,61) ⁽²⁾	0,64	0,62

(1) The total may differ from the sum of the headings because some figures have been rounded off.

(2) Figures in brackets - on a comparable basis with forecasts for 1979-1980

Sources: Table 1 in Annex 1 to Vol. 7 of the Preliminary PE 50.000/fin. Draft Budget.

(vii) Council's attitude

151. A further critical remark needs to be made at this point. The Council stated at page 76 of its explanatory volume on the 1978 draft budget that it will give its position on the triennial financial estimates as soon as it has received the opinion of the European Parliament. The Committee on Budgets found this comment of Council's to be particularly insensitive, for two reasons:

firstly: the Council's drastic pruning of the Commission's estimates for the 1978 budget appears to have been effected without any regard to an overall strategy - certainly, no such comprehensive policy is outlined by the Council itself. Therefore, it would appear that the Council wishes to await the opinion of Parliament on a document that it has ignored;

secondly: the Council has so slashed the figures for 1978 - as the tables on pages 52 and 53 above show - that the basic Annex has now become devoid of budgetary significance. Indeed, if the Council were concerned seriously about the future of the Community, it would have replaced the Commission's Annex with a new one that took account of the new budgetary prospects for the Community as it sees them. In future years, the Council should endeavour to present the revisions to the triennial forecasts implied in its changes to the preliminary draft budget.

(viii) Coordination of Community efforts

152. A major aspect of the usefulness of the triennial financial estimates should be the manner in which they help to coordinate the medium-term use of the financial instruments of the Community. Parliament has, for a long time, been stressing the importance of ensuring that maximum advantage is gained from the use of the EAGGF, the Social Fund, the Regional Fund, ECSC and EIB activities. The importance of the coordination of Community policies is recognised in the document under consideration and this fact is welcomed by the Committee on Budgets.

(ix) A closer link to the overall economic situation

153. It would be welcomed if the Commission were to explore the possibilities of tying in the triennial financial estimates more closely with overall economic reviews of the Community. While the Community budget may appear to be small as a percentage of total Community GDP, its impact on crucial areas can be considerable. Therefore, the budget should be viewed in a more fully integrated manner with the prospects for the Community economic trends. While saying this, the Committee on Budgets stresses that, since many actions financed by the budget of the Communities represent expenditures that have been transferred from the national budgets to the central budget, the rate of growth of the Community budget in any particular year is not directly related to the considerations that govern the rates of growth considered desirable for the individual budgets of the Member States.

(x) Conclusions regarding the triennial estimates

154. The Committee on Budgets considers that the Commission's text was technically well prepared, given the restraints under which the work was undertaken. While the technical presentation may have been satisfactory, on political and economic grounds the text is worth little. No new policies can be fitted into the framework. Far from being a static budget, the Community budget will shrink relatively if the figures are to be believed:

Growth of GDP in terms of value : 12% to 13% a year
% increase in the budget : 11.7% in 1979; 8.0% in 1980

155. When the Commission was preparing the forecast Annex, it expected that agriculture would account for 69½% of the 1978 budget; the draft budget increased this to 75¼%; the amending letter has the effect of pushing the percentage to 76½%. Against this background, the Committee on Budgets sees little point in commenting line by line on figures that have been tossed aside - in many instances without adequate explanation - by the Council.

156. Having made such drastic changes to the balance within the 1978 budget, the Council should have set out the impact of these changes on the medium-term. Assuming that the 1978 draft budget was prepared by the Council in accordance with a coherent policy - and this may be an over-generous assumption, because no such plan has been revealed to Parliament - that strategy should be made known to the other partner in the budgetary authority in the form of revised triennial estimates presented by the Council with the draft budget.

157. As regards the conclusions at page 65 of the Annex to Volume 7 of the preliminary draft budget, the Committee on Budgets considers that it is over-optimistic to state that:

"The remaining margin for manoeuvre is higher than the figure for 1979 in the Triennial Forecasts for 1977-78-79 since estimating is now done at current prices and own resources have been re-assessed."

It is clear that the percentages cited at paragraph 154 above which show a lower rate of increase in the Community budget than in the GDP of the Community are unrealistic.

158. It also appears to Parliament that, if the Commission is satisfied that the present legal framework on which the triennial financial estimates are based restricts it from producing a more comprehensive political text which would be more than a summary of current activities projected into the future without the addition of desirable new policies, the Commission should put forward proposals for the necessary amendment to the decision of 21 April 1970.

X DETAILED COMMENTS OF THE COMMITTEE ON BUDGETS ON THE DRAFT BUDGET 1978

(a) Administrative expenditure

(i) Staff

- Need to strengthen the Commission's establishment plan

159. Paragraphs 81 to 94 above examine, in some detail, certain aspects of staff problems; consequently, it is not necessary, at this point in the explanatory statement, to go over the background once again. Apart from the factors considered earlier, the Committee on Budgets believes that there are three aspects of staff policy that merit particular attention; these are: the need to reinforce the staff complement, upgrading to eliminate certain bottlenecks and an improved retirement policy.

160. As regards staff numbers, the Commission set out, in the preliminary draft budget¹, a very full explanation for additional staff requirements. These amounted to 531 posts in all, of which 489 were permanent and 42 were temporary.² In addition to the explanation provided in Volume 7 of the preliminary draft, the Commission provided a considerable amount of supporting documentation which was examined by the rapporteur who also interviewed the senior Commission officials responsible for staff management.

161. In the draft budget, the Council favoured giving the Commission 100 new permanent posts and 26 new temporary posts. Of these, the Council suggests 40 LA posts: 20 permanent and 20 temporary. Having gone into the figures carefully, the Committee on Budgets recommends that the 20 permanent LA posts which the Council is prepared to grant should be transformed into A, B and C posts, as follows:

8 A 6 B 9 C

162. This attitude is inspired by the evident need to give the Commission more administrative, executive and clerical staff in order that it may carry out effectively the tasks entrusted to it. So that the strictest economy in the use of staff may be observed, language services must take second place in the new posts. Moreover, it must be borne in mind that there are, at present, approximately one hundred and eighty unfilled LA posts in the Commission's establishment plan.

¹Vol. 7, pps. 98 et seq.

²As well, 39 posts were sought for new indirect activities arising under Chapter 33.

163. The change outlined in the preceding paragraph will help the Commission to carry out certain essential new tasks. However, pressures arising out of international obligations and responsibilities in regard to control of nuclear security, improvements in the EAGGF sphere, and some strengthening of the infrastructure and general administrative services at the executive and secretarial (B and C) levels - which have been neglected in budget after budget - call for some minimal special effort this year. Having carefully gone over the position, the following increases appear to be justified, in addition to the number suggested by the Council plus the reallocated 20 LAs :

	O A	46 B	46 C			
164. To sum up, the position is as follows:						
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>LA</u>	<u>Temporary</u>
Commission's request	56	160	235	3	35	42
Council's proposal	12	28	40		20	26
Compensation proposal	8	6	9		-20	
Committee on Budgets new posts		46	46		0	(net 92 posts: 46 B; 46 C)

While these fall far short of the reasoned justification advanced initially by the Commission, the new package* goes some way towards improving the Commission's capacity to cope with its workload. The total cost in the financial year 1978 will be 4.3 MEUA, of which the Committee on Budgets amendment accounts for 2.1 MEUA.

(ii) Upgradings

165. So that there may be a logical policy of career planning and advancement, there is now a need to provide further flexibility in regard to upgradings. This issue has been fully examined on several occasions in the past but has not been tackled adequately. One course that would, over time, improve the situation, is the modification of the Community retirement policy; however, this vital change in policy would take some years to have an impact. Therefore, some further steps are now imperative for two reasons: firstly, blockages have built up over the years and, secondly, when the Council cut back sharply on new posts, it removed the instruments capable of creating greater flexibility in grading.

166. To improve the position, the Committee on Budgets has followed the rapporteur's recommendations that the following changes be effected:

* Total of new posts proposed for Commission in 1978 :

20 A
80 B
95 C
26 Temporaries

34 A/5	upgraded to	34 A/4
14 A/7	" "	14 A/6
4 B/2	" "	4 B/1
26 C/2	" "	26 C/1
13 C/3	" "	13 C/2

The cost in the 1978 financial year would be 108,905 EUA.

(b) Rent

167. Rented accommodation for the Community Institutions now involves considerable expenditure, which has grown appreciably over the years. Chapter 21 of the budget shows an increase of 25% (21.5 m.u.a. in 1977, 28.6 m.u.a. in the preliminary draft, trimmed back to 27.8 m.u.a. in the draft). The Commission is now the tenant in 19 different sites in Brussels, in 11 sites in Luxembourg and in sites in 19 other capital cities (its representational offices); it must be one of the largest tenants in the world. The Commission is not to blame for this state of affairs: the responsibility lies with the governments of the Member States who have yet to agree on a single seat for the European Communities collectively or individually.

168. This year, the Commission attempted to make a start in the search for more accommodation by including 387,000 u.a. under Article 202, "other expenditure preliminary to the construction of buildings or to the acquisition of immovable property". This was destined to cover the payment of fees to qualified technicians and consultants in connection with the construction of a new building for the Commission in Brussels and the opening of the third section of the Jean Monnet building in Luxembourg.* The Council has placed a token entry on the line with 145,000 u.a. entered in Chapter 100, for the Jean Monnet building. No real explanation has been provided by the Council in Volume 7, either for this change or for the trimming back in Chapter 21. It is proposed to reinstate the full appropriation under Article 202. Furthermore, during the meetings to come with the President of the Council and with the Council itself during the budgetary procedure, this problem of the soaring costs of indecision about the future working places of the Community will be raised and Parliament's view will be expressed clearly and firmly.

(c) Decentralised organisations

169. Parliament has expressed its concern about the growth of decentralised organisations. The resultant web of complex relations and structures around the Commission is extremely difficult for the

* This approach to the problem of new accommodation should be welcomed inasmuch as it would obviate the need for costly alterations subsequent to occupation

Commission - let alone the budgetary authority - to control.

170. Mr GERLACH, a member of the ad hoc working group on budgetary questions, drew attention to this in one of the reports¹ and called for the pruning of these "satellite" organisations and for strict control of their budgets. Also, last year's general rapporteur urged that the presentation of the estimates of these bodies should accompany the presentation of the preliminary draft budget.

171. To date, this has been done in a partial fashion. Your rapporteur has received in one Community language (not his own) a series of working documents which provide the estimates for the EURATOM supply agency, the European Association for Cooperation, the European Centre for Professional Training and the European Foundation for the improvement of living and working conditions. The establishment plans of the latter organisations have also been provided.

172. However, the documentation for the Community-Business Cooperation Centre (Article 281), the European Communities Institute for Economic Analysis and Research (Article 282), the European Foundation (Article 283), the European University Institute (Article 288), the European Trade Union Institute (Article 307) and the European Agency for Trade Co-operation with developing countries (Item 9311) has not been provided.

173. The Committee on Budgets would wish that adequate documentation be provided, in future years in order to permit Parliament to consider Community subsidies for these organisations in a fully informed manner from the outset.

(ii) Article 280 - Supply Agency

174. A substantial increase has been proposed for this Agency (approximately 18%). The explanation provided in Volume 7 of the Commission's preliminary draft indicates the reasons for the change as being: extra officials, automatic promotions of certain officials and a programme for strengthening the security of the Agency with increased meetings of the Advisory Committee².

Any measure to improve the security of the Agency should be approved, particularly in view of doubts that were raised in the context of the disappearance of 200 tonnes of uranium, the so-called "Plumbat Affair", and also because of the Community's international responsibilities and obligations.

¹ Doc No. 97/76, para 34, Page 78

² Preliminary draft budget, Volume 7, Pages 260 - 262 PE 50.000/fin.

(iv) Article 281 - Community Business Cooperation Centre

175. An increase of only 8% is proposed for the Community Business Cooperation Centre. It seems reasonable, in view of foreseeable trends in costs.

(v) Article 282 - European Communities Institute for Economic Analysis and Research

176. It will be recalled that the Committee on Budgets and Parliament approved the creation of this Institute and were responsible for 1 m.u.a. being placed in the 1977 budget, over-riding Council. To date, Council has yet to adopt the basic decision approving this Centre and no money has been spent from the 1977 appropriations. This proposal was submitted on the 10 October 1975. Council has deleted appropriations proposed and has placed a token entry on the line.

177. A more detailed breakdown of the forecasts from the Commission could have been provided. However, in view of the clearly expressed intentions of Parliament at the time, an amendment is put forward reinstating the Commission's proposals in the draft budget, with the encouragement to Council to make a decision speedily in favour of an Institute, the need for which has not been questioned.

(vi) Article 283 - European Foundation

178. This is a new proposal, arising from the Tindemans Report, which was warmly supported by many Members of the European Parliament. A token entry has been proposed. Given the general hostility to token entries, it would seem reasonable that this should be expanded to include an amount sufficient to permit the first steps towards its establishment in 1978. To this end an amendment has been tabled by the Committee on Budgets.

(vii) Article 287 - Publications Office

179. The breakdown of appropriations for the Publications Office is given in Annex 1 to Volume 4 of the draft budget. An increase in expenditure of approximately 22% is proposed, after a trimming operation conducted by Council in drawing up the draft budget.

This increase results partly from an increase in the number of staff (10%) and from automatic promotions anticipated for 1978. Extra postage costs are also a contributory factor. Amendments to this item are not proposed.

(viii) Article 288 - European University Institute

180. The Commission proposed the budgetisation of this Institute, with, as the first step, the inclusion of a token entry "so as to make use of the time up to 1 January 1979 and make suitable arrangements for the change in financing".¹ It is not immediately clear why budgetisation

¹Volume 7 of the Preliminary Draft Budget, page 268

could not have been completed in 1978 with the provision of estimates for the Committee on Budgets.

181. The Council has deleted this item, evidently preferring that it remain outside the budget and outside Parliamentary control. The reinsertion of this item, with an operational amount as an earnest of our intention to achieve full budgetisation in 1979, appears to be appropriate. The Committee on Budgets has tabled an amendment to this effect.

(ix) Article 289 - European Schools

182. The budget for the European Schools has been the subject of controversy in the past and this year, as last, and after some delays, the governing body of the schools has sent to the Committee on Budgets the estimates for the coming financial year and the programme. Until these have been examined by the Subcommittee for this year, it would be inappropriate for the Committee on Budgets to make further comment except to note the fact that a considerable increase (just under 20%) is being sought, and needs to be justified.

(x) Article 301 - European Centre for the Development of Vocational Training

183. The establishment plans and the estimates of this body have already been the subject of examination by the European Parliament. It should be made clear that a specific decision of the budgetary authority is required before the establishment plans are approved. For 1978, no increase in staff is envisaged (already 30 staff heads exist) and an increase of 10% in the subsidy is proposed. This corresponds with the increase in operational costs at the Centre. It will be noted that Council has reduced appropriations by some 200,000 EUA in line with the arbitrary trimming that has been conducted elsewhere. It is now a matter of history that the discharge to this organisation was refused with respect to the 1975 financial year and this makes for hesitation in giving approval to this budget as it stands.¹ In any case, the Sub-Committee of the Committee on Budgets should give the closest possible attention to this body, and most of the appropriations should be frozen until discharge has been given. An amendment has been tabled to this effect.

(xi) Article 307 - European Trade Union Institute

184. The Community budget for 1977 entered 100,000 u.a. in Chapter 100 for this item. It is not known whether that amount has been committed as yet, nor why neither Commission nor Council has sought to place any appropriations on the line for this. The Committee on Budgets has supported an amendment to include an operational amount in the 1978 Budget.

¹ It is to the Management Committee of the Centre that the budgetary authority grants a discharge.

(xii) Article 359 - European Foundation for the Improvement of Living and Working Conditions

185. The Commission proposed to increase this body's global subsidy by 14%. Council proposes the limiting of this increase to less than 5%.

It will be recalled that Parliament opposed the creation of an extra post of deputy director on the grounds of insufficient justification¹.

186. A fuller explanation is provided in the working document which has been transmitted to the Committee on Social Affairs and Employment to see whether it is sufficient to enable that Committee to lift its opposition. Then it will be up to the Committee on Budgets to decide its attitude on the budgetary aspects of creating further members of staff for this body. In the meantime it is proposed to partially freeze appropriations.

(xiii) Item 9311 - EEC subsidy for the operation of the European Agency for Trade Cooperation with the Developing Countries

187. The Commission has proposed the creation of this body following statements of intent by Council to improve the Communities' general system of preference to finance technical assistance projects in the field of the promotion of experts from non-associated developing countries. The Commission believes that it should have "under its supervision" an appropriate structure to carry out the duties mentioned above. This proposal of 100,000 u.a. was considered necessary to start up the Agency in 1978.

188. In view of the hesitations of the Committee on Budgets about the European Association for Cooperation (see next point), and in view of the relatively insufficient commitment to set up such a body for non-associated developing countries, the rapporteur did not feel disposed to propose an amendment reinserting this item. The Committee on Budgets has examined carefully the arguments on this point, and has not supported an amendment to reinstate the amounts.

(xiv) Article 943 - EEC subsidy for the operation of the European Association for Cooperation

189. The Committee on Budgets has expressed its reservations with respect to this organisation which carries out some tasks which, according to the Committee, could have been discharged by the Commission's services. A very small increase is proposed for Item 9430, (operating expenses), whilst a large increase (around 100%) is proposed for the subsidy for Commission delegations in the Southern Mediterranean countries linked by cooperation agreements, because these agreements have multiplied in the last few years.

¹Lezzi Report, Doc. 18/77 with opinion of the Committee on Budgets

190. It is curious that these delegations should be financed by this particular procedure whereas external offices of the Community, including those in Greece and Turkey, are financed out of the ordinary operating chapters of the general budget. The Commission has submitted a financial estimate for 1978 which provides a detailed breakdown of the Association. It would be useful to have available for the Committee on Budgets a description of the administrative structure of the Association.

It is regrettable that, in the financial estimates, no detailed comparison exists between 1978 and 1977 either as regards staff or as regards the different components of the administrative body.

It has been decided to reform the wording of this article to create the necessary improvement in budgetary clarity, thus moving some way to implement the changes requested by the discharge authority.

Summary of reactions to the "satellite" bodies

191. The Committee on Budgets

- reiterates its disquiet about the proliferation of decentralised organisations outside the direct control of the budgetary authority;
- insists that there should be provided, accompanying the preliminary draft budget, full estimates for each of these organisations, along with their establishment plans;
- intends to support amendments to the lines, including subsidies for these organisations, in order to prune expenditure as much as possible and to prevent the continuing expansion of establishment plans without any justification.

For the information of Members, a table setting out a summary of particulars of the provisions in the 1977 budget, together with comparative figures from the 1978 preliminary draft and draft budgets is provided on the following page giving a summary overall view of the so-called 'satellite' or decentralised organisations.

Other Titles of the Budget

192. The attitude of the Committee on Budgets to the provisions in the draft budget for other titles of the budget is reflected, in summary form, in the opinions given on the various draft amendments and proposed modifications set out in Part XIII.

Table XIII
"Satellite" Organizations: subsidized by the Commission

	1977 Budget	1978 Preliminary Draft Budget	1978 Draft Budget
	U A	E U A	
(i) <u>Article 280</u> Supply Agency	603,400	864,000	840,700
(ii) <u>Article 281</u> Community Business Cooperation Centre	66,000	86,300	86,300
(iii) <u>Article 282</u> European Communities Institute for Economic Analysis and Research	1,000,000	3,050,000	Token Entry
(iv) <u>Article 283</u> European Foundation	(new item)	Token Entry	Token Entry
(v) <u>Article 287</u> Publications Office	7,587,900	11,347,000	10,978,100
(vi) <u>Article 288</u> European University Institute		Token Entry	
(vii) <u>Article 289</u> European Schools	20,895,900 (+797,500 ua)	27,043,300 (+1,082,000 in Ch.100)	27,291,500
(viii) <u>Article 301</u> European Centre for the Development of Vocational Training	2,000,000	3,002,500	2,800,000
(ix) <u>Article 307</u> European Trade Union Institute	Token Entry+ 100,000 in Ch. 100	Token Entry	Token Entry
(x) <u>Article 359</u> European Foundation for the Improve- ment of Living and Working Condi- tions	2,600,000	2,555,000	2,300,000
(xi) <u>Item 9311</u> EEC subsidy for the operation of the European Agency for Trade Cooperation with the Developing Countries		100,000	
(xii) <u>Article 943</u> EEC subsidy for the operation of the European Association for Cooperation	2,118,100 ¹	4,191,700	2,593,000 ²

¹ Plus 681,000 in Ch.100

² An appropriation of 1.2 mEUA has been entered in Ch.100.

XI THE AMENDING LETTER

Deadline for receipt

193. In accordance with Article 12(6) of the Financial Regulation, proposals for changes to the Preliminary Draft Budget - necessitated by the receipt of new information which was not available at the time the budget was drawn up - may be presented by the Commission. In Parliament's amendment to the Financial Regulation - the principle of which was accepted by both Council and Commission - such a letter of amendment must be put before Parliament, by the Council, at least fifteen days before the first reading of the draft budget.

Commission's proposal

194. As had been foreshadowed in the explanatory statement (Vol.7) of the Preliminary Draft Budget, the Commission submitted to the Council such a draft letter on 19 September 1977¹. In its letter, the Commission sought to have the following changes effected:

- increase the Guarantee part of the budget by 589.15 MEUA;
- reduce the Guidance part by 10.2 MEUA;
- provide an extra 8 million EUA in commitment authorizations and 2.5 EUA in payment appropriations for the Social Fund;
- provide an additional 30 million in commitment authorizations and 18 million in payment appropriations for industrial policy;
- insert token entries for the promotion of investments;
- provide 40.34 million EUA extra to cover the adjustment of 10 per cent lump sum; and
- provide additional payment appropriations of 75 MEUA to cover the conversion from u.a. to EUA in respect of the Regional Fund.

Council's draft

195. On 7 October 1977, the Council adopted a letter of amendment following on these Commission proposals. The main features of that letter are:

- the Council accepted in full the Commission's proposals in regard to the EAGGF Guidance, EAGGF Guarantee, the Social Fund and the adjustment of 10 per cent lump sum;

¹ COM (77) 450/

- in so far as industrial policy is concerned, the Council provided for only 15 MEUA's in Chapter 100 with a 'token entry' on the line;
- the provision in respect of the Regional Fund was covered in the draft budget; and
- a technical readjustment in regard to food aid, totalling 3.01 MEUA added by the Council.

Comments

196. The effect of these changes is to add 639,800,000 ECU to the draft budget. By a coincidence, this is broadly of the order of 531½ million ECU struck off the Preliminary Draft Budget by the Council last July. Unlike the situation which arose last year - when the Rapporteur found himself confronted with an amending letter at a very late stage - this year, Parliament has been given adequate notice of Council's proposals. This improvement in procedures is to be welcomed because it gives Parliament some chance to get to grips with the details contained in the new proposals.

197. As regards the proposals themselves, it is to be regretted that, despite all the exhortations of Parliament in the past, the provision for Guidance should be cut back, while the provision for Guarantee payments is further inflated because of the automaticity which flows from the basic regulations and that the share of the budget devoted to agriculture should show further imbalance. It is to be welcomed that, at least, the Council endorsed the Commission's rather modest proposals in regard to the Social Fund. Furthermore, at a time of great unemployment in Europe, at a time when European industry and technology needs to be spectacularly reformed, it is disappointing that all the Council can do is to put in 15 MEUA's in Chapter 100 for industrial policy and await proposals from the Commission. It is even more disappointing that the Commission should state that these proposals will not be to hand until "before the end of November". When it comes to dealing with urgent Community situations, far more expeditious procedures need to be evolved.

198. One further remark has to be made: the explanatory statement accompanying the amending letter gives very little by way of explanation and scarcely anything that could be considered to be a political justification for the Council's position. Once again, Council must be urged to endeavour to view budgetary proposals in their overall context and to avoid giving the impression that appropriations are entered - or struck out - on an ad hoc basis without having regard to the overall situation.

XII CONCLUSIONS

(a) Greater political participation

199. Keener attention has been paid by Parliament to the budgetary policy for 1978 than was the case in previous years. This heightened interest has been reflected in: (i) the attendance at - and participation in - the debates in the Plenary Sessions of May, July and September, when the 1978 budgetary policy guidelines, the preliminary draft budget and the draft budget were considered, (ii) the very large number of draft amendments and proposed modifications that has been put forward, and (iii) increased political group involvement in the preparation of the 1978 budget. It is being more widely appreciated by the general public, too, that the European Parliament has a central function in regard to the budget's preparation, adoption, implementation and post factum control.

200. This greater political involvement is to be welcomed as a demonstration of democratic participation in the formulation of Community revenue and expenditure policy. The 1978 budget has greater political significance than its predecessor because: a full VAT based own resources system will, hopefully, apply; Parliament will be responsible for finally adopting the receipts side and, moreover, 1978 will be the year in which a directly elected European Parliament will take up office: as well, there are institutional and legal framework factors. The Treaty of 22 July 1975, finally ratified, is now in force and gives certain added powers to Parliament; the European Court of Auditors is being set up; a new EUA will apply; and the amended Financial Regulation will also be adopted - given goodwill and a positive attitude on the part of the Council.

(b) Political role secured by long efforts

201. The developments referred to came about as a result of more than a decade of effort by Parliamentarians to secure due democratic responsibility in the budgetary sphere. Many Europeans have contributed to this effort; four Parliamentarians deserve special mention for their patient and tireless efforts over many years: Georges Spénale, former President of Parliament and former Chairman of the Committee on Budgets, who worked on so many budgetary aspects; and Erwin Lange, the present Chairman of the Committee on Budgets, who put in much work on the lead up to the Treaty of 22 July 1975. A tribute is also to be paid to Heinrich Aigner, who has the special satisfaction, this year, of seeing the European Court of Auditors - for which he fought so persuasively - being set up and of having Parliamentary control of the budget put on a current and effective basis. Furthermore, the substantial contribution of the late Sir Peter Kirk, who represented the European dimension of one of the new Member States, and whose name will always be associated with increasing Parliament's powers in the budgetary and legislative spheres, should be included in this group of European statesmen.

(c) The budget as a political instrument

202. The budget has come to be regarded far more as a political instrument than had been the case hitherto. It is recognized that, above all, in conditions of VAT-related own resources, supplementary budgets should be avoided. Council must now regard Parliament as a full partner in the budgetary process and should refrain from treating the budgetary dialogue as an empty ritual. Parliament has stressed that the budget ought to be settled on the basis of comprehensive and closely integrated policies. The political will to build a united Europe must be reflected in an appropriate budget; as well, it is to be expected that the Community budget is likely to grow more rapidly than budgets of Member States because it is at a relatively earlier stage of development and can take on board activities that could be financed more economically and more efficiently at the Community level than could be done by Member States competing one with the other.

(d) Further development

203. There is a need to develop Community policies in a positive way. They should not be forced to exist within the tight strait-jacket which would result from the application of statistical ratios. With the extended use of the commitments authorizations procedure, the triennial estimates must assume greater importance and be given a more central place in the budgetary process. The medium-term resources prospects need to be considered, also.

(e) Positive attitude to the 1978 budget

204. The 1978 preliminary draft budget was tightly drawn; indeed, it would appear that the Commission took Council exhortations regarding the need for austerity very seriously. Nevertheless, the preliminary draft budget did contain a series of proposals which could have formed a useful basis, for serious consideration in Parliament, from which appropriate 1978 provisions could have been arrived at. On the other hand, the draft budget as cut back by Council was a great disappointment. It reflected, hopefully for the last time, an old style Council attitude which could be summed up as slashing everything but agriculture-related outlay. Since then, however, there appears to have been a shift within Council towards a more positive attitude. This apparent change in attitude may be attributed to the more expansionary policies now being followed in several Member States - or perhaps it may reflect a shift in attitude due to the very firm reaction expressed in Parliament in September.

205. In entering into the next stage of the budgetary process, the Committee on Budgets feels that it has some grounds for hoping that the Council will endorse the reshaping of the 1978 budget, approved by Parliament in the amendments and modifications which it has accepted, thus obviating avoidable supplementary budgets and ensuring that appropriate Community policies may be adequately financed.

PART XIII
OUTCOME OF THE DISCUSSIONS IN THE COMMITTEE ON BUDGETS
ON THE DRAFT AMENDMENTS AND PROPOSED MODIFICATIONS

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Un-favourable	Remarks
<u>STATEMENT OF REVENUE</u>									
TITLE 1 - OWN RESOURCES									
100	Levies, premiums, compensatory amounts			265		Mr SHAW rapporteur	x		Unanimously adopted (15 votes) by Committee on Budgets
100	Levies, premiums, compensatory amounts	+ 30 m EUA		264		Proposal by rapporteur	x		Unanimously adopted (15 votes)
110	Levies and other duties			239		Mr SHAW	x		Unanimity on the deletion of these items indicating the national origin of these duties
120	Customs duties			269		Mr SHAW	x		Unanimity on deletion of this item indicating national origin of these duties
130	VAT for Community budget			270		Mr SHAW	x		15 votes in favour, 1 abstention. Deletion of the items indicating the national origin of VAT and entry of that distinction under remarks only

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
941	Euratom borrowings			241		Mr COINTAT for Com. Budgets	x		Unanimity (16 votes). Principle of intervention by budgetary authority for borrowing and lending authorizations
942	Community borrowings			240		Mr COINTAT	x		Unanimity (16 votes). Principle of intervention by budgetary authority for borrowing and lending authorizations
943	Community borrowing to finance industrial investment			242		Lord BRUCE	x		Unanimity (17 votes). The committee endorsed this proposal.
944	EEB borrowings			243		Mr COINTAT for Com. Budgets	x		17 votes in favour, 1 abstention. This budget line should be entered to provide for the activities of the European Export Bank

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
950	Bank interest			244		rapporteur	x		Unanimity (18 votes) on this amendment required for reasons of budgetary clarity
990	Repayments of duties and charges on research operations by the French and Italian governments	Delete token entry		245		rapporteur	x		Unanimity (18 votes) amendment required for reasons of budgetary clarity
staff		+ 782,600 - 456,800 + 1,890,200 + 86,400 + 9,000 - 21,600		118/ rev 246 247 248 230 oral		Com. Energy rapporteur rapporteur rapporteur Communist Group Mr COINTAT	- x x x - x	- -	+ 3 A5, + 5 A7, + 3 B1, + 13 B3, + 9B5, + 10 C5, - 6 IA5, - 7 IA6, - 7 IA7 16 votes for + 115 posts (8 A6, 15 B1, 17 B2, 16 B3, 2 B4, 2 B5, 20 C1, 18 C2, 17 C3), 16 votes for, 1 abstention post conversions (34 A5 to A4, 14 A7 to A6, 4 B2 to B1, 26 C2 to C1, 13 C3 to C2), 16 votes for, 1 abstention conversion of local staff posts to official posts (6 C1, 7 C2, 7 C3) (i.e.20), conversion of local staff posts to permanent posts (8 C1, (C2, 9 C3) (i.e.25), Committee on Budgets endorsed proposal by Mr COINTAT, 11 votes in favour, 1 against and 4 abstentions
145	Building loans	+ 1 m EUA		158		EPD Group		x	4 votes in favour, 12 against 3 abstentions

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
202	expenditure preliminary to acquisition of immovable property	+ 387,000		265/5		rapporteur			withdrawn
251	Committees			249		rapporteur	x		unanimity (19 votes) decision annexing to budget list of committees financed by budget
266	regional studies	+ 160,000		180		EPD Group	x		13 votes for, 1 abstention. Committee on Budgets favours increase in these appropriations but decides to table amendment freezing proposed increase
2720	expenditure on information	+ 2,400,000		202		Liberal Group		x	6 votes for, 13 against. But Committee on Budgets favours proposal by Mr AIGNER for a subsidy of 1 m EUA to be frozen. That proposal adopted by 10 votes to 7 with 1 abstention
2729	information relating to elections to Parliament	+ 4 m EUA + 4 m EUA + 2 m EUA frozen on line - 1 m EUA		79 23 184 265/47		Pol. Aff. Com. SPINELLI EPD Group Lord BRUCE			Committee on Budgets rejects Lord BRUCE's proposal by 9 votes to 9 and also rejects EPD 184 by 11 votes to 6. EPD 79 adopted by 17 votes to 1 but the committee decides to table an amendment freezing 2 of the 4 m EUA increase on the budget line

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favo- rable	Un-fav- ourable	Remarks
282	Economic Research Institute	+ 3.050 m EUA		2		Ec. AFF. Comm.	x		Unanimity (11 votes)
		+ 3 m EUA		160		EPD group	-	-	-
283	Subsidy for European foundation	+ 500.000 frozen		272		rapporteur	x		Unanimity (11 votes)
288 new	Florence University Institute	+ 1 m EUA frozen		273		rapporteur	x		9 votes for, 3 against
		+ 1 EUA		224		Chr. Dem. Group	-	-	-
		Token Entry		24/ rev.		SPINELLI	-	-	-
		Token Entry		159		EPD Group	-	-	-
		Token Entry		174/ 5		COINTAT Com. Bud. Work. Party	-	-	-
289	European Schools	Freeze appropriations		265/ 20		rapporteur			Withdrawn since rapporteur obtained the information requested.
291	Special subsidies to European movements	300,000		oral		Socialist Group	x		7 votes for, 5 against. Committee on Budgets adopts this draft amendment but the rapporteur considers that it should be tabled by Political Affairs Committee

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
293 new Title 3	Subsidies to non-governmental organisations (Amnesty International)	+ 200,000		130		HOLST and others		x	Rejected by 11 votes to 2 with 1 abstention
	Organisations in Science and Technology	+ 60,000		275		rapporteur	x		Proposal adopted by Comm. Budgets by 10 votes to 3
	New heading-community policies on research, technology, industry etc.			276		rapporteur	x		Unanimity (13 votes)
3010	European centre for development of vocational training	appropriations frozen		277		rapporteur	x		Unanimity (15 votes) However, the Committee decided to freeze only 3/4 of the appropriations
		+ 202,500		183		EPD Group		x	The Committee opposes an increase in these appropriations
3011	Vocational training	+ 30,000		182		EPD Group	-	-	Amendment withdrawn
3021	Second programme for exchange of workers	+ 120,000 partially compensated		122		Soc. Aff. Com.	x		Unanimity (15 votes)
		"		181		EPD Group	-	-	Withdrawn
		"		265/16		rapporteur	-	-	Withdrawn
3030	Improved housing for handicapped workers	- 200,000	+ 560,000	123		Soc. Aff. Com.	x		Unanimity (16 votes)

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author			Remarks
3031	Pilot projects housing for migrant workers	- 230,000	+ 560,000	125		Soc.Aff. Com.	x		Unanimity (16 votes)
304	Effectiveness of Community social policy	+ 100,000		25		SPINELLI and others		x	Negative opinion - 10 votes to 4 with 3 abstentions
		+ 100,000		177		EPD Group		x	"
3050	Programme on labour market trends	+ 50,000		127		Soc.Aff. Com.	x		16 votes for and 1 against
		"		26		SPINELLI and others	-	-	
		"		179		EPD Group	-	-	
3051	Cooperation between national employment services	+ 150,000		128		Soc.Aff. Com.	x		16 votes for, 1 against
		"		27		SPINELLI and others	-	-	
		"		178		EPD Group	-	-	
3052	Guaranteed income during re-training	token entry		28		SPINELLI and others	x		Unanimity (17 votes)
3053	Action on tripartite conference	+ 50,000		176		EPD Group	-	-	Withdrawn
306	Pilot project action against poverty	+ 640,000		129		Soc.Aff. Com.	x		Unanimity (16 votes)
		"		175		EPD Group	-	-	

BUDGETARY NOMENCLATURE				DISCUSSION IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author			Remarks
307	European Trade Union Institute	500,000		142		Soc.Aff. Com.	x		16 votes, 1 abstention
316	Vocational training of farmers	81,100		149		Com. on Agriculture	x		7 votes for, 6 against and 3 abstentions. However the Committee on Agriculture will present a revised text proposing a corresponding increase in revenue
3200	Technological development projects	20 m EUA	22 m EUA	42 rev.		SPINELLI and others	-	-	Withdrawn
		7 m EUA		89		Energy Committee	x		Unanimity (17 votes)
			+ 10 m EUA	90		Energy Committee	x		"
3201	Hydrocarbon projects	17 m EUA	25 m EUA	43 rev.		SPINELLI and others	-	-	Withdrawn
		9 m EUA		91		Energy Committee	x		Unanimity (17 votes)
			25 m EUA	92		Energy Committee	x		"
321	Uranium prospecting	4.400.000	11,500,000	93 rev.		Energy Committee	x		Unanimity (17 votes)
		"	"	44 rev.		SPINELLI and others	-	-	-
322	Aids for coal stocks	token entry		95 rev.		Energy Committee	x		Favourable, 16 votes to 1
		"		45 rev.		SPINELLI and others	-	-	-

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
323	Use of coal in power stations	8 m EUA	75 m EUA	29 rev.		SPINELLI and others	-	-	Withdrawn
		8 m EUA		96		Energy Committee	x		16 votes for, 1 against
			25 m EUA	97		Energy Committee	x		"
3240	Community Energy-saving programme	5 m EUA	10 m EUA	98 rev.		Energy Committee	x		16 votes for, 1 against
		17 m EUA	45 m EUA	30 rev.		SPINELLI and others		x	Unfavourable opinion given previous favourable vote
3241 new	Coal gasification	3 m EUA	8 m EUA	100 rev.		Energy Committee	x		16 votes for, 1 against
		9 m EUA	16 m EUA	31 rev.		SPINELLI and others		x	Unfavourable, given favourable opinion on previous amendment
3242 new	Exploitation of geo-thermal resources	2 m EUA	7 m EUA	102 rev.		Energy Committee	x		Unanimity (16 votes)
		2 m EUA	9.8 m EUA	32 rev.		SPINELLI and others		x	Unfavourable, given favourable vote on previous amendment
325 new	Storage of nuclear fuels	token entry		104		Energy Committee	x		16 votes for, 1 abstention
				33 rev.		SPINELLI and others	-	-	
3250 new	Subsidy to EURATOM Supply Agency	794,900 EUA		265/11		rapporteur	-	-	Withdrawn

BUDGETARY NOMENCLATURE				DA	PM	Author	DISCUSSIONS IN COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Payments	Commitments				Favourable	Unfavourable	Remarks
3291	New heading 'Euratom loans'			266		COINTAT Com. Budg. working party	x		Unanimity (17 votes)
33	Legislative part of budget			302		rapporteur	x		Unanimity (18 votes) favourable to principle that budgetary authority should take decisions authorizing Commission to effect certain transfers within this chapter
3333	Protection of JRC establishments	4,455,000 compensated	5,500,000	105/ rev 106/ rev		Com. Energ. Com. Energ.	x x		Unanimity (18 votes) 15 votes for, 1 abstention. Com. Budg. favourable to this text, but decides to table amendments bringing under payment appropriations heading all commitment appropriations now provided for staff expenditure
3352	Biology and health protection	changes in organigramme sub-headings 33521 and 33529		1/ rev		Com. Environ.	x		17 votes for, 1 abstention
3358 new	Irradiated fuel reprocessing	token entry		81		Com. Environ.	x		Unanimity (18 votes)
3359 new	Phasing-out of nuclear installations	token entry		82		Com. Environ.	"		"

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
3358 3359		1 m EUA 500,000		88		Com. Environ.	"		"
3361	Primary commodities	2 m EUA	8 m EUA	107/ rev		Com. Environ.	x		Unanimity (16 votes) but Com. Budgets decides to present this text in the shape of 2 amendments to include staff expenditure under payment appropriations (and not under commitments). It also decides to freeze the appropriations entered against this item
		2 m EUA		227		Christian-Dem. Group	-	-	withdrawn
3362	Long-term forecasts and assessments	532,600	632,600	110/ rev		Com. Energy	x		Unanimity (17 votes)
3363 new	Light-water reactor safety	+ 1 m EUA	2,500,000	121/ rev		Com. Energy	x		Unanimity (18 votes)
		creation of budget line		120		Com. Energy	-	-	settled by previous vote
				228		Com. Energy	-	-	settled at same time as PdA 121/rev
3364	Uranium ore processing	800,000	3 m EUA	116/ rev		Com. Energy	x		Unanimity (17 votes) but Com. Budg. will separate into 2 new amendments appropriations for staff and commitment appropriations

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
3371	Coordinated research projects	740,000 partially compensated	+ 900,000	112/rev		Com.Energy	x		Unanimity (18 votes) but new presentation by Com.Budg. to include staff appropriations under payment appropriations and delete any commitment appropriations entered for this purpose in Chapter 100
3520	Health protection and hygiene at work place	+ 325,000 " "		83		Com. Environ.	x		13 votes for with 4 abstentions
				34		SPINELLI and others	-	-	
				174		EPD Group	-	-	
353	Public health studies and measures	+ 60,000 " " "		84		Com. Environ.	x		Unanimity (18 votes)
				37		SPINELLI and others	-	-	
				173		EPD Group	-	-	
				190		Conserv. Group	-	-	
3540	Environmental studies	+ 200,000		36		SPINELLI and others		x	10 votes against, 3 in favour and 2 abstentions
3541	Environmental action	+ 50,000 "		85		Com. Environ.	x		8 votes for, 7 against and 1 abstention
				38		SPINELLI and others	-	-	

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
3550	Consumer protection studies	+ 70,000 "		86 161		Com. Environ. EDP Group	x -	-	14 votes for, 2 abstentions
3551	Subsidy to European consumer organizations	change in	remarks	188		Conservative Group			withdrawn
3552 new	Consumer information action	100,000 " "		87/ rev. 35 162		Com. Environ. SPINELLI and others EPD Group	x - -	-	14 votes for, 2 against, 1 abstention
359	Grant to Foundation for improvement of working conditions	+ 255,000 "		39 172		SPINELLI and others EPD Group	-	x	16 votes against, 1 for Com. Budg. also decides to table amendment freezing 3/4 of appropriations entered in draft budget pending review of operation of this foundation
3610	Dissemination of scientific knowledge	+ 50,000		40		SPINELLI and others			withdrawn
3611	Assessment of research findings	200,000 + 500,000 partially compensated		114 265/ 26		Com. Energy rapporteur	x		Unanimity (17 votes) withdrawn

BUDGETARY NOMENCLATURE						DISCUSSIONS IN COMMITTEE ON BUDGETS			
Chapter, Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
		+ 500,000		41		SPINELLI and others	-	-	withdrawn
3620	First and second three-year projects	+ 1,750,000 compensated		46 rev.		SPINELLI and others	x		13 votes for, 2 against and 2 abstentions
3621	Activities supplementary to three-year plans	+ 200,000	+ 375,000	119 rev.		Com. energy	x		15 votes for, 1 abstention
		+ 285,000	650,000	47 rev.		SPINELLI and others	-	-	withdrawn
3622	Other projects in documentary research	+ 70,000		48		SPINELLI and others	-	-	withdrawn
3701	Second information programme	1,700,000	2,920,000	3 rev.		Economic Aff. Com.	x		12 votes for, 1 against, 3 abstentions
		4,600,000	6,615,000	49 rev.		SPINELLI and others		x	having regard to previous vote
3702	Four-year EDP programme	1 m EUA	+ 1 m EUA	7 rev.		Economic Aff. Com.	x		12 votes to 2 with 4 abstentions
		11 m EUA	15 m EUA	66 rev.		SPINELLI and others		x	10 votes to 7
3703 new	Applied research on highly integrated circuits	token entry		5		Economic Aff. Com.	x		16 votes for, 1 abstention
		-		50		SPINELLI and others	-	-	

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
		token entry		170		EPD group	-	-	
3710	Aerospace action	11,070,000	+ 11,070,000 31 m EUA	8 rev 51 rev		Economic Aff. Com. SPINELLI and others	x -	-	17 votes for, 1 abstention settled by previous vote
3711	Aids to aerospace industry	token entry " "		6 52		Economic Aff. Com. SPINELLI and others	x -	-	Unanimity (17 votes)
373	Transport infrastructure project	1 m EUA frozen 20 m EUA compensated under Title VII		279 197		rapporteur Liberal Group	x		10 votes for, 2 abstentions Considered inadmissible since compensation is effected between two specifically operational titles
374	Technical regulations for car manufacture	1,500,000 partially compensated "		58/rev 265/28		SPINELLI and others rapporteur	-	x -	6 votes against, 3 for and 3 abstentions withdrawn
3750 new	Reorganization of sectors in crisis	3 m EUA	15 m EUA	143		Economic Aff. Com.		x	Com. Budgets did not vote on these texts in their existing presentation but decided by 11 votes with 1 abstention to create the 2 headings and enter
3751 new	Investment premiums	15 m EUA	15 m EUA	148		"		x	

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS						
Chapter Article or Title	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks	
									under 3750, 3 m EUA payment and 15 m EUA commitment appropriations, and to make no entry under 3751 since 15 m EUA payment appropriations now appear in the letter of amendment	
390	Research in industrial technology	+ 5 m EUA frozen		283		rapporteur	x		7 votes for, 6 against, 1 abstention	
		2 m EUA		222		Liberal Group	-	-		
		token entry		9		Economic Aff. Com.	-	-		
		token entry		115		Energy Com.	-	-		
3920	Implementation of Education programme	+ 500,000		131		Social Com.	x		11 votes for, 4 against. However, Committee on Budgets decides to re-present this text with different justification	
		"		57		SPINELLI and others	-	-		withdrawn
		"		284		rapporteur	-	-		withdrawn
393	Cultural action	+ 80,000		80		Pol. Aff. Com.	x		7 votes for, 4 against and 2 abstentions	

BUDGETARY NOMENCLATURE				DISCUSSION IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
395 new	Promotion of trade with Japan	2 m EUA		201		Liberal Group		x	10 votes against, 1 for and 4 abstentions. At the same time the Committee decided, by 7 votes to 4 with 3 abstentions, to table an amendment creating this article with a token entry
		"		53		SPINELLI and others	-	-	-
42	New heading 'Community lending'			286		COINTAT Com.Budg. work party	x		11 votes for, 1 abstention
43 new	Community lending to finance industrial investment projects	token entry		294		LORD BRUCE	x		Unanimity (13 votes)
430 new	Compensatory amounts on accession	change in nomenclature			150	Com.Agric.	x		13 votes for with 1 abstention. Wishing to separate compensatory amounts on accession from the EAGGF Guarantee Section, the Committee on Budgets considers that this proposal should be presented as a draft amendment and not as a proposed modification.

BUDGETARY NOMENCLATURE				DISCUSSION IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Fav-ourable	Unfav-ourable	Remarks
44 new	Monetary compensatory amounts				151	Com. Agricult.	x		13 votes for, 1 abstention and decision by Com. Budg. identical to previous amendment
450 new	Expenditure resulting from application of different exchange rates				152	Com. Agricult.	x		Same vote and decision as for previous amendment
490	Contribution to initial capital of EEB	token entry		10		Econ. Aff. Com.	x		Unanimity (12 votes)
		"		290		rapporteur	-	-	
491	EEC guarantee for EEB borrowings	token entry		291		rapporteur	x		Unanimity (12 votes)
492	Subsidy to balance EEB budget	token entry		292		rapporteur	x		Unanimity (12 votes)
		"		64		SPINELLI and others	-	-	-
493	Interest rebates on EEB loans	token entry		293		rapporteur	x		Unanimity (12 votes)
		"		55		SPINELLI and others	-	-	-

BUDGETARY NOMENCLATURE				DA	PM	Author	DISCUSSIONS IN COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Payments	Commitments				Favourable	Unfavourable	Remarks
494 new	Loans by EEC	token entry		305		COINTAT Com. Budg. working party	x		Unanimity (10 votes)
500	New social fund, action for agricultural and textile sectors	+ 19 m EUA partially compensated		132		Soc. Aff. Com.	x		12 votes for
		+ 19 m EUA		56		SPINELLI and others	-	-	settled by previous vote
		+ 19 m EUA partially compensated		191		Conser- vative Group	-	-	.
		+ 19 m EUA compensated under Title VII		194		Liberal Group	-	-	inadmissible
			+ 15 m EUA	265/ 42		Lord Bruce	-	-	settled by first vote
501	Measures for young people	+ 68 m EUA partially compensated		133		Soc. Aff. Com.	x		all draft amendments by Soc. Aff. Com., i.e. PDA 132 to 140 adopted by Committee on Budgets (12 votes for)
		+ 68 m EUA partially compensated	-	192		Conser- vative Group	-	-	Committee on Budgets made no formal pronouncement on draft amendments to Title 5 other than those by Soc. Aff. Com. which it adopted

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favo- urable	Unfa- vour- able	Remarks
		+ 68 m EUA		59		SPINELLI and others	-	-	-
		-	+121 m EUA	265/ 43		Lord BRUCE	-	-	-
502	Measures for handicapped	+ 3 m EUA		134		Soc. Aff. Com.	x		12 votes
503	Measures for migrant workers	+ 8 m EUA partially compensated		135		Soc. Aff. Com.	x		same vote as previous amend.
			+ 14 m EUA	265/ 44		Lord BRUCE	-	-	-
505	Measures for women	+ 2.5 m EUA compensated	8 m EUA	136		Soc. Aff. Com.	x		Same vote as for all draft amendments by Soc. Aff. Com.
510	Measures to improve employment situation	+ 118 m EUA partially compensated		137		Soc. Aff. Com.	x		As above
		"		60/ rev.		SPINELLI and others	-	-	-
		"		193		Conser- vative Group	-	-	-

BUDGETARY NOMENCLATURE							DISCUSSIONS IN COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author			Remarks
			+ 219 m EUA	265/ 45 rev		Lord BRUCE	-	-	-
511	Measures for handicapped	+ 19.5 m EUA partially compensated	+ 50 m EUA	138		Soc.Aff. Com.	x		12 votes in favour
				265/ 46 rev		Lord BRUCE	-	-	-
520	Pilot schemes and preparatory studies	+ 800,000 EUA partially compensated	800,000 EUA	139		Soc. Aff. Com.	x		See previous remark
		"	"	61/ rev		SPINELLI and others	-	-	-
53 new	New action for employment situation	token entry		140		Soc.Aff. Com.	x		See previous remark
		"		67/ rev		SPINELLI and others	-	-	-
			100 m EUA	221		Socialist Group	-	-	-

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
550 new 551 new	Industrial investment measures Infrastructure investment measures			306		COINTAT Com.Budg. Working Party	x	-	Unanimity (13 votes), with 1 abstention
55	European Regional Development Fund	+ 275 m EUA partially compensated (+ 135 m EUA)	+ 352 m EUA	189 12/ rev		Conservative Group Com.Reg. Pol.	- x	-	- 11 votes for, 1 abstention. The Committee on Budgets will re-table this amendment to take account of the decisions to split chapters 55 and 56 into 4 Articles
550 new		200 m EUA	+ 252 m EUA	73/ rev		SPINELLI and others	-	-	The Committee on Budgets rejected this amendment in view of its favourable opinion on the draft amendment by the Com. on Reg. Policy
550		+ 167 m EUA partially compensated against an operational title		195		Liberal Group	-	-	Inadmissible
551 new		335 m EUA		72		SPINELLI and others	-	-	Rejected by Com. Budgets

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
		313 m EUA partially compensated but under an operational title		223		Liberal Gr.	-	-	Inadmissible
55	Regional Fund	+ 400 m EUA partially compensated	+ 1,102 m EUA	171		EPD Group	-	-	Rejected by the Committee on Budgets
56 new	specific Community actions			307		COINTAT Comm. on Budgets Working Party	x		Unanimity 13 votes
560	interest rebates								
561	other actions								
56				71/ rev.		SPINELLI & others	-	-	-
560		+25 m EUA	+ 50 m EUA	74/ rev.		SPINELLI & others	-	-	Rejected by the Committee on Budgets
561		+20 m EUA	+ 50 m EUA	75/ rev.		SPINELLI & others	-	-	As above
59	Aid to disaster victims	5 m EUA		141		Soc.Aff.Com	x		Unanimity (14 votes)
		"		163		EPD	-	-	-
		"		295		rappporteur	x		Unanimity (14 votes)
Titles 6 & 7	EAGGF, guarantee section	+1,395.5 m EUA in Chap. 100		oral		LANGE	x		The committee supported its chairman by 11 votes for ; 2 against & 2 abstentions. The purpose of this reserve entered in Chap.100, is to avoid the need for supplementary budgets during the year, under the own resources system, with changed VAT rate

BUDGETARY NOMENCLATURE				DA	PM	Author	DISCUSSIONS IN COMMITTEE ON BUDGETS		
Chapter Article or Item	Heading	Payments	Commitments				favou- rable	unfa- vour- able	Remarks
		Change in remarks		64/ rev.2		SPINELLI and others	x		Entered under Chapter 100 this reserve enables Parliament to control utilization during the year. By 8 votes to 7, the committee supported a new remark requiring the Council to bring about a radical change in the common agricultural policy.
601	Intervention for cereals	- 87,400 m EUA to be transferred to Chap.100			204	Conservative Group		x	9 votes to 5 with 1 abstention
611	Intervention for rice	- 250,000 to be transferred to Chapter 100			205	Conservative Group		x	9 votes to 5 with 1 abstention
621	Intervention for skimmed milk	- 338,750,000 to be transferred to Chapter 100			206	Conservative Group		x	9 votes to 5 with 1 abstention
6218	Public stocks of skimmed milk	+ 169,300,000 compensated			265/ 38	Lord BRUCE	-	-	rejected by Committee on Budgets
622	Intervention for butter	- 157,950,000 transferred to Chapter 100			207	Conservative Group		x	By 9 votes to 5 with 1 abstention
6228	Food aid from public butter stocks	+ 239 m EUA compensated			265/ 39	Lord BRUCE		x	11 votes to 1 with 3 abstentions
623	Intervention for dairy products	- 9 m EUA transferred to Chapter 100			208	Conservative Group		x	9 votes to 5 with 1 abstention

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS								
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	<table border="1"> <tr> <td>favorable</td> <td>unfavorable</td> <td>Vote</td> <td>Abstention</td> </tr> </table>	favorable	unfavorable	Vote	Abstention	Remarks
favorable	unfavorable	Vote	Abstention									
629	Financial contribution by milk producers	- 211,600,000			157	EPD Group	x	12 votes against, 2 for				
631	Olive oil	- 71,875,000			209	Conservative Group	x	9 votes against, 5 for and 1 abstention				
633	Colza seeds	- 23,950,000 to be transferred to Chapter 100			210	Conservative Group	x	9 votes against, 5 for and 1 abstention				
634	Other seeds	- 1,550,000 to be transferred to Chapter 100			211	Conservative Group	x	9 votes against, 5 for and 1 abstention				
641	Sugar intervention	- 51,624,000 to be transferred to Chapter 100			212	Conservative Group	x	9 votes against, 5 for and 1 abstention				
651	Beef and veal	- 40,475,000 to be transferred to Chapter 100			213	Conservative Group	x	9 votes against, 5 for and 1 abstention				
6510	Private storage of beef and veal	+ 20 m EUA			144	BOURDELLES and others	-	- 12 votes against, 1 abstention				
6511	Public storage of beef and veal	+ 90 m EUA			145	BOURDELLES and others	-	- Rejected by Committee on Budgets				
		+ 89 m EUA			153	Com.on Agri culture	-	- Withdrawn				
6522	Premiums for re-constitution of herds	- 19,600,000			154	Com.on Agri culture	-	- Withdrawn				

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
661	Intervention for pigmeat	- 4,500,000 to be transferred to Chap. 100			214	Conservative Gr.	-	-	Settled by same negative vote as other modifications tabled by Conservative Group
672	Intervention for eggs	10 m EUA			146	BOURDELLES and others	-	-	Rejected by Committee on Budgets
673	Poultry	10 m EUA			147	BOURDELLES and others	-	-	Rejected by Committee on Budgets
681	Fresh fruit and vegetables	- 24,375,000 to be transferred to Chapter 100			215	Conservative Gr.	-	-	-
691	Wines	- 30,750,000 to be transferred to Chapter 100			216	Conservative Gr.	-	-	-
701	Intervention for tobacco	- 58,100,000 to be transferred to Chapter 100			217	Conservative Gr.	-	-	-
721 (in Ch. 100)	Intervention for alcohol	Token entry			218	Conservative Gr.	-	-	-
730	Fibres, etc.	- 3,750,000 to be transferred to Chapter 100			219	Conservative Gr.	-	-	-
750	Compensatory amounts on accession	ref. to Title 4			164	EPD Gr.	-	-	Settled during consideration of Title 4
780	Monetary compensatory amounts	to be introduced in Title 4			165	EPD Gr.	-	-	Settled in Title 4

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS						
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	table Favou- rable	able Favou- rable	unfa- vour- able	Remarks
		Change in remarks with a view to progressive reduction of monetary compensatory amounts			65/	SPINELLI & others		x		8 votes against, 4 in favour and 1 abstention
81	EAGGF Guidance Section	Change of entire nomenclature and new breakdown			203	Conservative Gr.		x		8 votes against, 3 for and 1 abstention
800	Improvement of agricultural structures	Change in remarks "			76/ rev	SPINELLI & others	-	-		Withdrawn
					187	EPD Gr.		x		12 votes against
8104	Forestry action	+5 m EUA	+ 5 m EUA		225	Chri.Dem. Group		x		Rejected by Com. on Budgets which did however decide by 7 votes to 2 with 4 abstentions to table a proposed modification entering a token entry for payment and 5 m EUA for commitment
		"	"		62/ rev	SPINELLI & others	-	-		Withdrawn
8105	Aid to young farmers	+4 m EUA	+ 4 m EUA		63/ rev	SPINELLI & others	x			10 votes for, 2 against, 1 abstention
		"	"		166	EPD Group	-	-		-
		"	"		198	Liberal Gr.	-	-		Inadmissible
		but compensated against an operational title								
		+4 m EUA	+ 4 m EUA		226	Chr.Dem.Gr.	x			10 votes for, 2 against, 1 abstention

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
8200	Producer groups	change in remarks		68		SPINELLI and others	x		10 votes for, 1 abstention
8202	Marketing and processing of agricultural products		+ 80 m EUA		186	EPD group		x	13 votes against
8302	Conversion-inshore fishing	+ 5 m EUA compensated	+10 m EUA		69/ rev.	SPINELLI and others		x	rejected by Committee on Budgets which decided by 6 votes to 5 to table a new proposed modification showing only an entry of 10 m EUA for commitment
8303	Surveillance of new Community fishing zone	token entry			155	Com. on Agriculture	x		10 for, 1 against and 1 abstention
8321	Reorganization of horticultural production under glass	+ 3,500,000	+ 3,500,000		70/ rev.	SPINELLI and others		x	7 votes against, 1 for, 4 abstentions
890	Producer groups in fruit and vegetable sector	1,500,000 compensated but against operational chapter			199	Liberal Group	-	-	inadmissible
894	Fishery producer groups	100,000 compensated but against operational chapter			200	Liberal group	-	-	inadmissible

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS						
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	rable	favou- rable	unfa- vour- rable	Remarks
90 91 new	Cooperation with developing countries	these chapters reserved for EDF	these chapters reserved for EDF	296		COINTAT Com. on Budg. work. party	x			unanimity (10 votes in favour)
9001 new	Exports of ACP beef to EEC	+ 30 m EUA		298		rappor- teur	x			8 for, 3 abstentions
909 new	Operating costs of Commission delegations in ACP States	+ 2,450,000		297		rappor- teur	x			11 votes for, 1 abstention
9201	Food aid in cereals	+ 16,590,000	+124,725,000		19	Dev. com.	x			10 votes for, 1 abstention
9202 new	Food aid	+ 53,200,000 compensated		265/ 1		rappor- teur	x			10 votes for, 1 abstention
9211	Skimmed milk	+ 228,500,000			156	Com. on Agri- culture		x		The Committee on Budgets decided by 12 votes with 1 abstention to propose a modification providing for the financing of the supply of 200,000 tonnes of skimmed milk powder. It decided to freeze the use of 50,000 and the corresponding appropriations.
		+ 151,370,000		169		EPD Group		x		"
		+ 60,070,000	+ 76,050,000		20/ rev.	Dev. com.		x		"
		+20 m EUA			167	EDP Group		x		"
			+ 189,300,000		168	EDP Group		x		"

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favourable	Unfavourable	Remarks
9213	Refunds linked to Item 9212	91,300,000 compensated				323 rapporteur	x		unanimity (13 votes)
9222	Food aid in sugar	1,100,000 compensated				324 rapporteur	x		unanimity (13 votes)
930	Cooperation with non-associated developing countries	+2 m EUA	+80 m EUA	15/ rev.		Dev. com.	x		12 for, one against
		"	"	78/ rev.		SPINELLI and others	-	-	-
9310	Trade relations with non-associated developing countries	+ 1 m EUA	+6 m EUA	21/ rev.		Dev. com.	x		11 votes for, 1 against, 1 abstention
9311 new	Subsidy for trade cooperation agency	new item and remarks		77		SPINELLI and others		x	9 votes against, 2 for and 1 abstention
9410	Grants for citizens of non-associated developing countries	+ 50 m EUA		22		Dev. com.	x		9 votes for, 3 against
943	new heading 'expenditure of Commission delegations in southern Mediterranean countries'	1,200,000 and deletion of Item 9431: compensated		265/ 55		rapporteur	x		unanimity (11 votes)
945	Action for developing countries by non-governmental organizations	- 500,000		231		Dev. com.	x		unanimity (11 votes)

BUDGETARY NOMENCLATURE				DISCUSSIONS IN COMMITTEE ON BUDGETS					
Chapter Article or Item	Heading	Payments	Commitments	DA	PM	Author	Favou- rable	unfa- vour- able	Remarks
		Replace remarks				Dev. com.	x		11 votes for, 1 abstention
			+6 m EUA	18/ rev.					
			+12 m EUA	229		Christian Dem. Group	-	-	rejected by Committee on Budgets
100	Belfast Office	+150,000		220		Conser- vative Group	x		8 for, 4 against
	Belfast Office - rentals	+20,000		185		EPD Group	x		7 for, 3 against, 3 abstentions. The Committee on Budgets also decided to freeze the increase in approp- riations intended for Community offices in Third Countries and Associated Countries.
	end of legislative sec- part: fixing tion commitment III authorizations and payment appropriations			303		rapporteur	x		by 12 votes. The Committee on Budgets has thus fixed the list of items to which the distinction between commitment authorizations and payment appropriations shall apply.

