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Report

drawn up on behalf of the Committee on Budgets

on the ~~initial~~ list of requests for the carry-over of appropriations from the 1977 to the 1978 financial year (non-automatic carry-overs) – (Doc. 122/78)

Rapporteur: Lord BRUCE of DONINGTON

12.1

By letter of 3 May 1978 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 6(3) of the Financial Regulation of 21 December 1977, to deliver an opinion on the initial list of requests for the carry-over of appropriations from the 1977 to the 1978 financial year.

The list was referred to the Committee on Budgets. On 24 May 1978 the Committee confirmed the appointment of Lord Bruce of Donington as rapporteur.

At its meeting of 24 May 1978 the Committee on Budgets considered the list and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Lange, Chairman; Lord Bruce of Donington, rapporteur; Mr van Aerssen, Mr Alber, Lord Bessborough, Mrs Dahlerup, Mr Hamilton, Mr Ripamonti, Mr Schreiber, Mr Shaw and Mr Spinelli.

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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

embodying the opinion of the European Parliament on the initial list of requests for the carry-over of appropriations from the 1977 to the 1978 financial year, (non-automatic carry-overs)

The European Parliament

- having regard to the list submitted by the Commission to the European Parliament (COM(78) 189 final),
 - having been consulted by the Council pursuant to Article 6(3) of the Financial Regulation,¹ (Doc. 122/78) ,
 - having regard to the report of the Committee on Budgets (Doc. 149/78),
1. Approves the non-automatic carry-over of appropriations requested by the Commission of the European Communities in respect of the following amounts:
 - (a) 1,267,250 EUA ⁽²⁾ (Chapters 12, 21 and 22) for Section I - Parliament;
 - (b) 11,331,595.44 EUA (Chapters 37, 94 and 96) for Section III - Commission;
 - (c) 61,798.42 EUA (Chapters 12, 13, 15, 22 and 23) for Section V - The Court of Auditors;
 2. Regrets that the Council did not agree to the abolition of this non-automatic carry-over procedure as was proposed by the Commission, and supported by Parliament, during the revision of the Financial Regulation;
 3. Draws attention to the problem of the undermining of Parliament's rights illustrated by the failure to commit appropriations inserted in the budget by Parliamentary amendment and will return to this point when the full picture is known, and when it takes a decision on the granting of the discharge in respect of the 1977 financial year;

(1) OJ No. L 356 of 31.12.1977

(2) Throughout, your rapporteur refers to the EUA, although the amount was included in the 1977 budget in u.a.s. For the 1978 financial year, however, the budget is measured in EUAs.

4. Requests that, in future, all the Institutions supply full explanations where underspending has taken place and where carry-overs are requested;
5. Will reassess the carry-over procedure at the time of its examination of the complete list of requests later in the financial year.

EXPLANATORY STATEMENTProcedure for the non-automatic carrying over of appropriations

1. The Financial Regulation provides the possibility for the Institutions to carry-over appropriations from one financial year to another. The carry-over is deemed to be approved, unless the Council, acting by a qualified majority and after consulting the European Parliament, decides otherwise within one month. ⁽¹⁾

2. In its proposals for reviewing the Financial Regulation the Commission proposed the abandoning of this procedure, following increasing Parliamentary hostility to the practice, since the scale of these carry-forwards sometimes reached as much as 10% of the initial budget. The principle of the annuality of the budget was thus jeopardised. Mr SHAW, in his report on the Financial Regulation review ⁽²⁾ approved the Commission's proposal. However, this was not one of the items on which it was possible to obtain agreement with Council and for the foreseeable future, the slightly more flexible system created by the review still permits the Institutions to make these carry-overs.

3. In his subsequent report on the complete list of requests for the carry-overs, your rapporteur will make certain suggestions for the improvement of this procedure. One element of dissatisfaction is the current two-stage approach, whereby the Commission submits, before 1 May, an initial list of carry-forwards, and this is supplemented by a final list two months later. This in turn causes delays in the discharge procedure and encourages delays in the implementation of the budget. The abolition of carry-overs would act as a positive inducement to fully implement the budget in the financial year.

Initial list of requests for carry-overs from 1977 to 1978

4. These initial requests can be summarised as follows:
 - (i) for the budget of Parliament - Section I
 - (a) from Chapter 12, 3,500 EUA, "Miscellaneous expenditure on staff recruitment";

⁽¹⁾ Financial Regulation of 21 December 1977, OJ No. L 356 of 31 December 1977, Article 6, sub-paragraph 3.

⁽²⁾ Doc. 469/76.

- (b) from Chapter 21, 101,250 EUA, "Fitting out of premises";
- (c) from Chapter 22, 18,750 EUA, "New purchases of furniture" and 143,750 EUA, "New purchases of technical equipment and installations".

This totals 1,267,250 EUA for all of Section I.

The Committee on Budgets has already pronounced favourably on this carry-forward by an internal procedure. At its meeting of 1 March, 1978, the Committee on Budgets approved these carry-forwards, the Chairman of the Committee on Budgets writing to the President of Parliament indicating that approval. At that stage, it was considered that there was no need to take this matter to plenary session, given the relatively minor sums that were involved. It is to be regretted, however, that in the list forwarded by the President of Parliament, explanations as to the reasons for underspending were **excessively succinct**.⁽¹⁾

- (ii) for Section II - Council

The Council has no carry-overs of appropriations from the 1977 to the 1978 financial year requiring approval by the budgetary authority and this is an element of satisfaction for the Parliament. This also applies to Section IV of the budget - the Court of Justice.

- (iii) for Section III - Commission, four carry-overs are proposed:

- (a) from Item 3700, 85,538.44 EUA, "First programme in the data processing sector".

This represents only 12% of the appropriations for this line and the underspending is justified due to a reassessment of the efficiency of the programme during the financial year.

- (b) from Item 3710, 8,000,000 EUA, "Basic research operations in the aerospace sector".

Parliament used part of its margin for increase in non-compulsory expenditure to enter appropriations on the operational line for aerospace, which was considered by Parliament to be a priority for Community action. This item alone amounted to more than 5% of the margin that Parliament took up. Council indicated its agreement to that expenditure.

The Commission did not bring forward proposals until August 1977, which represents a lamentable delay given that Parliament had already reacted to an earlier Communication setting out general policy aims in the previous year. It becomes clear that Council never had any intention that this amount should be spent during the financial year and the Commission is, to a certain extent, responsible for the delays and the thwarting of Parliament's rights.

⁽¹⁾ Notice to members, PE 52.576

During the 1978 budgetary procedure, when it became clear that these rights had been undermined, Parliament amended the budget to place appropriations under Chapter 100 and included within the amendment (although not within the margin for increase) the 8 million EUA unspent for 1977 that had to be carried forward.

Therefore, Parliament's approval of this carry-forward is already implicitly given. The Committee on Budgets will follow this item very closely and will seek to ensure that well before the end of the financial year appropriations are committed to the full amount, irrespective of whether Council has concluded its deliberations on the proposal for an aerospace research programme, which have been with it since the beginning of August last year.

(c) from Article 940, 2,436,370 EUA, "Expenditure resulting from the agreement between the EEC and UNRWA".

The reason for this delay in paying the contribution to the UN Reliefs and Works Agency for Palestinian refugees (UNRWA) is that the aid organisation did not inform the Commission in time as to its real needs for the cost of implementing the supplementary food programme for 1977. This information was provided in February of this year and indicates that the original budget entry is not needed in its entirety (2.4 million EUA being required instead of 3 million EUA as originally entered). It seems to your rapporteur that the Commission was correct in making no payment until full information had been provided by the Agency.

(d) from Article 964, 809,687 EUA, "Cooperation with the Arab countries at regional level".

It was only at the end of the financial year that the Council approved a transfer for this amount from Chapter 101 to Chapter 96 within the 1977 budget, and this delay and subsequent delays have resulted from the difficulties in convening the Working Committee on the financing of the dialogue. Therefore, a carry-forward has become inevitable.

Your rapporteur takes this opportunity to reaffirm the view that the full expenditure from the Community countries in the context of the Euro-Arab dialogue should be included within the general budget of the Communities. The Commission should be invited to make a statement on this point as soon as possible.

(iv) for Section V - Court of Auditors:

- (a) from Chapter 12, 9,612.44 EUA, "Installation, resettlement and transfer allowances";
- (b) from Chapter 13, 26,721.46 EUA, "Expenditure relating to mission and duty travel";
- (c) from Chapter 15, 2,479.76 EUA, "Training courses";
- (d) from Chapter 22, 11,002.52 EUA, "Movable property";
- (e) from Chapter 23, 11,982.24 EUA, "Current administrative expenditure".
This totals 61,798.42 EUA.

It will be recalled that the Court of Auditors was only set up in the last two months of 1977 and the financing of the Court was made possible by a transfer within the budget, on the basis of what were necessarily imprecise estimates. It is proposed to carry-forward certain unused amounts in view of the experience gained and in the light of invoices already received. These items, which are small, do not call for any particular remarks.

In future, all the Institutions should seek to emulate the Commission in providing full explanations where underspending has taken place and where carry-forwards are requested.

Conclusions

5. The Committee on Budgets proposes that the European Parliament should approve all the carry-forwards in this initial list submitted by the Commission.

6. However, it reserves its judgement on the principal matters raised until the complete list of requests is submitted later in the year and until the report of the Court of Auditors on the implementing of the 1977 general budget is available and until it grants, or does not grant, discharge to the Institutions with respect to the 1977 financial year.

7. It is already, however, appropriate to take note of the failure, for at least one major item, of the Commission to implement the budget as voted and amended by Parliament. This undermining of Parliament's budgetary powers will be one of the principal items for comment in the report on the discharge for 1977.

8. As regards the carry-forwards procedure, the Committee on Budgets reaffirms its view that this procedure should be abolished as it acts as an inducement to underspend.