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R E P O R T

of the Temporary Committee 'From the Single Act to Maastricht and Beyond'

on the Commission communication 'From the Single Act to Maastricht and Beyond - the means to match our ambitions' (COM(92) 2000 - C3-0061/92)

Rapporteur: Mr Thomas von der VRING

Part C: Committee opinions

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*	= Consultation procedure requiring a single reading	**II	= Cooperation procedure (second reading) which requires the votes of the majority of the Members of Parliament
**I	= Cooperation procedure (first reading)	***	= Parliamentary assent which requires the votes of the majority of the current Members of Parliament

CONTENTS

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Foreign Affairs and Security

for the Temporary Committee 'From the Single Act to Maastricht and beyond - The means to match our ambitions'

Draftsman: Mr Renzo TRIVELLI

At its meeting of 16-17 March 1992 the Committee on Foreign Affairs and Security appointed Mr Trivelli draftsman.

At its meeting of 13-14 April 1992 it considered the draft opinion and adopted the conclusions as a whole by 24 votes to one, with one abstention.

The following took part in the vote: Baron Crespo, chairman; Cassanmagnago Cerretti, vice-chairman; Trivelli, draftsman; Aglietta, Alliot-Marie, Avgerinos, Balfe, Bertens, Cheysson, Coates, Cravinho, Dillen, Fernandez Albor, Holzfuss, Jepsen, Lagakos (for Poettering), Llorca Vilaplana, Magnani Noya, Newens, Onesta, Oostlander (for Penders), Prag (for Catherwood), Pesmazoglou, Rossetti (for Castellina), Titley, Veil.

1. The Commission document entitled '<u>From the Single Act to Maastricht and beyond - The means to match our ambitions</u>', commonly known as the Delors II package, may be regarded as an essential instrument providing for financial resources to give effect to the decisions taken at Maastricht.

2. The blueprint for action set out in the 'package' centres on: commitment to cohesion, a commitment to boosting competitiveness, and the commitment resulting from the Union's increased international responsibilities. To enable these three options to be pursued, additional financial resources are to be released, shared out as follows:

- ECU 11 bn for economic and social cohesion,
- ECU 3.5 bn for competitiveness,
- ECU 3.5 bn for the Union's increased international responsibilities.

The Union's own resources would consequently rise from the present figure of 1.2% of GDP to 1.37% by 1997.

3. The increased international responsibilities implied in Political Union stem from the new international situation that has been developing in recent years, in short:

- the crisis of the Soviet Union and the Warsaw Pact alliance, coupled with the complex financial, economic, and political responsibilities which these profound changes are entailing and will entail for Political Union;

- the worsening problems of the Third World, the North - South divide, and the growing pressures of migration being brought to bear on Europe;

- the growing and deepening regional crises. At a time when the 'old' regional crises - for instance in the Middle East - remain unresolved, dangerous new crises are making for a more uncertain international climate: nationalist, ethnic, (and other) conflicts are flaring up, especially, and most seriously, in Yugoslavia and various parts of the former Soviet Union;

- the increasingly taxing difficulties being posed as a result in establishing a new international order founded on peace and cooperation, a process implying a need to reform the UN and strengthen its role.

4. Against this background, the Commission is proposing in the 'Delors II' package to proceed on the basis of four priorities:

(i) commitment to the countries of Central and Eastern Europe,
(ii) commitment to the Mediterranean countries,
(iii) commitment to the developing countries,
(iv) a commitment to act in situations calling for emergency humanitarian aid.

To tackle the above priorities, additional appropriations of ECU 3.5 bn are to be provided, over and above the 1992 figure of 3.6 bn: the funds earmarked for the common foreign and security policy will consequently have doubled by 1997.

5. There are a number of fundamental points to be made about the thrust of and the proposals set out in the Commission document. The more specific details that spell out the political *raison d'être* of the four priorities imply an attempted new departure, although this is as yet insufficient.

The first striking feature is what might be termed a presumption of Europocentrism. The section of the Commission document entitled 'External action' contains these words: '<u>The European Community is now seen as the main focus for peace, democracy and growth by all of Europe and the neighbouring countries to the South and East</u>'. Without wishing here to labour the limits and intrinsic incongruities of this so-called model (unemployment, new forms of poverty, regional imbalances, crime, spread of drugs, etc.), it is an over-simplification to propose that it be reproduced by countries and peoples, especially in other continents, whose specific identity needs to be understood more clearly and who must at all events be encouraged to determine the form and substance of their development under their own responsibility. Awareness of the merits of the Community experience must provide the starting-point for symbiosis with the realities existing at the continental, national, regional, and subregional levels. Two facets of the Community experience deserve to be given special pride of place: the moves to establish a policy of cohesion to overcome the socio-economic imbalances affecting Europe's different regions and the attempt to work out a policy of international solidarity in relation to other parts of the world, in particular developing countries.

Secondly, the four priorities laid down need to be addressed in a more boldly innovative way. As far as the Mediterranean countries are concerned, for example, it is not enough to propose that the policies pursued to date (support for the economic reforms undertaken in the countries concerned, financial protocols, loans backed by Community guarantees, etc.) should be continued: on the contrary, a greater effort must be made to create new institutions as well as new situations and instruments. The idea of a Conference on Security and Cooperation in the Mediterranean, which has been under discussion for some time in various quarters, needs to be revived, bringing to bear the necessary acumen. As regards the Third World countries, two new proposals are being put forward: the adoption of a multiannual financial framework providing for increased resources and the proposal that the eighth European Development Fund be encompassed within the budget by 1995. New avenues, however, need likewise to be explored with a view to bringing about closer cooperation and enabling the Union and individual Member States to contribute to the advancement of Third World societies. Furthermore, when dealing with the countries of Eastern Europe, the Union must be encouraged to draw more heavily on supranational, regional, and subregional forms of cooperation, not least to help provide an appropriate response to the serious, delicate problems being posed by the emergence of particularistic and separatist tendencies.

To sum up, an initial, general verdict may be offered: the options set out in the Delors II package regarding the increased international responsibilities implicit in Political Union can be endorsed, but a wider-ranging effort needs to be called for with a view to providing the Union - in the four areas in question - with a more radically new *modus operandi*, the aim being to place it in an effective position to pursue an increasingly clear-cut common foreign and security policy.

6. In the light of the foregoing, the following conclusions may be put forward:

- greater prominence must be given to 'joint action' (the range of which must extend well beyond development cooperation and humanitarian aid measures) - since this must, to an increasing extent, be regarded as the mechanism for implementing a genuine common foreign and security policy. The need for such an approach has been spelt out in detail in the opinion drafted by Mrs Maria Luisa Cassanmagnago Cerretti for the Committee on Institutional Affairs;

- consequently, as is stated in 'Delors II', Article J.11 of the Maastricht Treaty needs to be implemented properly and in full so as to ensure that the expenditure incurred in common foreign and security policy measures is charged to the Community budget. The question is crucial inasmuch as the European Parliament, an arm of the budgetary authority, will in that way be given a say in the practical process of shaping the common foreign and security policy;

- with regard to its role in framing and implementing the common foreign and security policy, it goes without saying that Parliament must draw to the full on all the instruments at its disposal, which, under the terms of the Maastricht Treaty, include the 'recommendation to the Council'. The Delors II package speaks of '<u>the desire to make the Community more democratic, in particular by strengthening the powers of the European Parliament</u>'. Recommendations to the Council need to be made a more tellingly effective instrument, not least by means of interinstitutional agreements and amendments to procedures, a further point to be raised by Mrs Cassanmagnago Cerretti in her opinion;

- in particular, and again with an eye to playing a more significant role, Parliament shall have to adopt the practice of consulting with the Commission on the latter's exercise of its 'right of initiative' with respect to the common foreign and security policy

<u>OPINION</u>

(Rule 120 of the Rules of Procedure)

of the Committee on Agriculture, Fisheries and Rural Development for the Temporary Committee 'From the Single Act to Maastricht and Beyond - the Means to match our Ambitions"

Draftsmen: Mr Willi GÖRLACH and Mr Vasco GARCIA

At its meeting of 25 March 1992, the Committee on Agriculture, Fisheries and Rural Development appointed as draftsmen Mr Willi GÖRLACH (for agriculture and rural development) and Mr Vasco GARCIA (for fisheries).

At its meetings of 25 March and 9 April 1992 the committee considered the two draft opinions.

At the latter meeting it adopted the conclusions unanimously.

The following took part in the vote: Borgo, chairman; Vazquez Fouz, vice-chairman; Görlach, Garcia, draftsmen; Blaney, Bocklet, Carvalho Cardoso, Colino Salamanca, Cunha Oliveira (for Gomes), Dalsass, Domingo Segarra, Funk, Keppelhoff-Wiechert, Martin S., Partsch (for Kofoed), Sierra Bardaji, Sonneveld and Verbeek.

I.

AGRICULTURE

1. In its communication "From the Single Act to Maastricht and beyond", the Commission presents for the second time a programme of Community action on the basis of earlier actions taken following the adoption of the Single Act and on the basis of recent decisions taken in Maastricht. In this document the reform of the common agricultural policy is considered as a pre-condition for the realisation of the proposals made by the Commission.

The European Parliament gave its global opinion on the reform of the CAP during the December 1991 plenary session. In this opinion, the necessity of a reform was emphasized and the direction of the Commission proposals for the reform generally supported. The European Parliament furthermore presented its amendments to the specific regulations for each sector during the March and April 1992 plenary sessions. The Committee on Agriculture insists that a rapid decision be taken by the Council of Ministers on the reform of the CAP.

2. The reform of the CAP is considered by the Commission especially as a pre-condition for its further programme of action, as it constitutes the centrepiece for the Commission's proposals for the financial framework of the Community budget from 1993 to 1997.

In its accompanying communication on the Community's finances between now and 1997, the Commission presents an analysis of the mechanisms adopted in 1988 for the containment of agricultural expenditure. Together with the stabilizer mechanism for the agricultural sector introduced in 1988, four instruments were introduced to impose budgetary discipline :

- an overall limit on expenditure, with the maximum annual increase not to exceed 74 % of the Community GNP growth rate (agricultural guideline);
- the introduction of a monthly early-warning system for each chapter, obliging the Commission to take appropriate corrective measures or propose them to the Council whenever the utilization rate exceeds or threatens to exceed the profile established for each sector;
- the restoration of surplus stocks to normal levels by making provision for the systematic depreciation of new stocks and disposing of old stocks (the cost not counting in the calculation of the agricultural guideline);
- the creation of a monetary reserve to counter the financial consequences of fluctuations in the dollar/ecu exchange rate.

It is now concluded that, although the agricultural guideline has been complied with every year throughout the period, there has been considerable instability in the growth in expenditure, with marked imbalances on some markets. It is further concluded that, although the stabilizers have helped give more control of the expenditure, their economic impact has been more limited, in particular in the case of major crop products where the reduction in the area cultivated has been neutralized by higher increases in yields and where crops have been substituted.

Therefore the reform of the CAP must also be considered as an instrument to increase the stability of expenditure in the agricultural sector.

3. As regards the expenditure in the agricultural sector, it is noted that the reform of the common agricultural policy will have two implications for the budget :

- Firstly, the compensation paid to producers in exchange for the lower prices set will increase budgetary costs. However, these additional costs must be weighed against the greater benefits which consumers will derive from the reforms. However, it would be necessary to calculate the amount of benefit based on the proportion of the price the consumer pays which arises inside the farm gate.
- Secondly, expenditure trends will be easier to control and predict. The gradual lowering of prices to world market levels so as to make them more competitive will considerably diminish the budget's vulnerability to changes in external parameters. Furthermore, production will be controlled more effectively as a result of the set-aside measures which will be imposed in exchange for the compensatory aid. Finally, the new forms of support will be based on criteria which make it easier to predict changes in expenditure.

4. In its resolution on the development and the future of the common agricultural policy, the European Parliament adopted the following principles on the budgetary aspects of the reform :

- the existing guideline for agricultural spending from the EAGGF Guarantee Section should be maintained for the next five-year period; after this period the question of whether a further reduction in agricultural expenditure can be achieved should be considered;
- the guideline should be laid down in such a way as to remain the budgetary point of reference for agricultural spending so that its growth is below that of budget as a whole;
- agricultural expenditure must be forecast ahead more precisely;
- in the long term, support for the agricultural sector must be based increasingly on mechanisms other than price support, which would be compatible with the commitments which will probably be entered into within GATT; however, account will have to be taken of possible increased levels of imports into the Community resulting from a possible GATT agreement which will further add to the surpluses and result in further downward pressure on the prices the farmer will receive.
- the Community budget will also have to support the preservation of the environment, the economic development of rural regions and the social consequences of reform;
- agricultural support arising from this will have to be compatible with other ends pursued by the Community, for example economic and social cohesion.

At the same time Parliament insisted that compensatory payments to farmers should be guaranteed at the longer term.

It was furthermore noted that there is a need for an unambiguous redefinition of guarantee and structural expenditure; expenditure on market and price policy and direct aid under the EAGFF Guarantee Section and the accompanying measures, set-aside measures and other structural measures should be financed from the EAGGF Guidance Section.

It was finally noted that account should be taken of the need to do away with the compulsory nature of expenditure and to make the whole of the expenditure subject to Parliament's budgetary powers, as called for in Parliament's resolution of 24 October 1991.

In order to strengthen Parliament's budgetary powers in the short term, the application of the guideline should be reinforced. To this end consideration should be given to the institution of a mechanism for the suspension of the application of certain market and price regulations if the guideline is exceeded.

5. The Commission proposes that the principle of the agricultural guideline should be maintained. At the same time, the scope of the agricultural guideline should be extended to apply to all expenditure under the reform of the agricultural policy. This means that not only the expenditure on market policies but also the expenditure on flanking measures (early retirement, environment, afforestation) including spending in connection with similar measures at present covered by Objective 5a of the structural Funds, as well as the expenditure on the Guarantee Fund for fisheries and the expenditure on income support (which will gradually be phased out after 1993) will have to be covered by the guideline.

However, at the same time, the Commission proposes that the level of the guideline will have to be increased to take account of the total cost of the reform. It will have to be raised by 1.5 billion ECU in 1994 (when the reform is introduced). In this way account will also be taken of German unification.

6. When full account is taken of the decisions by the European Parliament, the cost of the reform's flanking measures should not be included in the EAGGF Guarantee Section. The expenditure in this sector should be included, also in the light of the way in which its programmes are financed by the Community, under the second heading of the new financial perspective, structural operations for economic and social cohesion. In the longer term, expenditure for environment and afforestation should be included in a global Community programme to fight the greenhouse effect. Expenditure for these measures is estimated by the Commission to be the following (M ECU) :

	Early retirement	Environment	Forestry	Total
1993	34	43	55	132
1994	203	200	80	483
1995	456	385	109	950
1996	601	611	149	1361
1997	706	922	202	1830

To these amounts another 70 M ECU should be added for similar measures at present covered by Objective 5a of the structural Funds.

Furthermore, the Committee on Agriculture is of the opinion that certain items at present included in the Guarantee Section of the EAGGF should not be considered under the guideline as the nature of the measures under these items is not directly linked to market and price policy and the compensatory aid linked to this policy. These items are the following :

- article B1-3801 : encouragement for growing traditional cereals - (total expenditure 1992 : 12 M ECU)
- article B1-381 : quality promotion measures - (total expenditure 1992 : 20 M ECU)
- article B1-382 : information on rural development - (total expenditure 1992 : 8 M ECU)
- article B1-400 : guarantee section share of conventional (not included in the CAP reform) set-aside scheme - (total expenditure : 180 M ECU)

The Committee on Agriculture is therefore of the opinion that it is possible to continue the actual guideline on expenditure from the EAGGF Guarantee Section without raising the level of the guideline, on condition that expenditure from the Section will be clearly limited to the market and price policy and the compensatory payments included in the reform proposals.

7. The Agriculture Committee supports the Commission's view that rural development, including ensuring a healthy and competitive agricultural sector, is a fundamental element of the Community's cohesion effort. In this context the Commission's proposal underlines the need to maintain an adequate number of native farmers, to support rationalisation and modernisation in the agricultural sector and to encourage wider diversification of the rural economy into sectors such as tourism, crafts and small businesses, for the benefit of farmers and for rural populations as a whole. The Agriculture Committee supports and encourages extension of Community assistance to rural development under Objectives 1 and 5b.

The farming and agri-food business in all areas is affected by major challenges in the light of the CAP reform and more competitive conditions (quality and health standards, need for higher value standards). The committee therefore stresses the need for continuing support under Objective 5a to agricultural marketing and processing investments throughout the Community.

II.

FISHERIES

Introduction

Common fisheries policy reviews over the ten years in which Regulation 170/83 has been in force have revealed various deficiencies in the fisheries sector, particularly as regards structural questions, redevelopment and the need to support the industry in highly sensitive coastal regions.

Given that there is an acknowledged need to reduce fishing capacity by a minimum of 20%, the only way to cope with the negative effects of this cutback in the majority of coastal regions - particularly those in which fishing is the sole industry - is a package of accompanying social measures with adequate financing, aimed particularly at coastal and island regions, where special support is required for small scale inshore fishing involving open boats with small engines and a workforce which has received little in the way of training.

Some of these points have been highlighted in successive reports by the European Parliament's Subcommittee on Fisheries, particularly those on small-scale fishing, social aspects of the common fisheries policy and, most recently, the first and second interim reports on the common fisheries policy and the adjustments to be made (Garcia A2-271/88, Morris A3-0310/87 and Pery A3-0335/91 respectively).

The proposal to set up an Objective 6 within the reform of the structural funds is therefore most appropriate. But it will be utterly useless unless it is adequately funded; we believe that the absolute minimum is double the current funding of the structural measures for fisheries.

Conclusions

The Committee on Agriculture, Fisheries and Rural Development calls on the Temporary Committee to take the following conclusions into account:

1. Welcomes the proposal to include fisheries in the reform of the structural funds and the establishment of Objective 6, designed to deal with various fisheries problems;

2. Believes, however, that the reorganization of the fleet due to begin in 1993, and involving reductions in fishing capacity, will require major funding to mitigate the economic and social impact of such major changes, to implement the structural measures for rationalizing the fleet and to establish a package of accompanying social measures;

3. Believes that to group Objective 6 together with Objectives 2 to 5b is not an appropriate way to establish what increase in appropriations is required, since fisheries were not included in the 'Delors I' package; believes, nevertheless, that Objective 6 should be established as soon as possible and endowed with adequate financial means to allow it to make up for lost time;

4. Believes therefore that the increase in funding earmarked in the 'Delors II' package (50% of the allocation for 1992 over the 1993-97 period) is utterly inadequate, and that the structural redevelopment of regions directly dependent on fishing requires at the absolute minimum a doubling of the resources currently allocated to fisheries in the community budget, on a par with the increase allocated to Objective 1, in keeping with the principle of economic an social cohesion.

5. Believes that there is no justification for including the Guarantee Fund for fisheries in the agricultural guideline: the markets for fishery products operate in an entirely different way from those for agricultural products and play no part in the budgetary problems which the agricultural guideline is designed to reduce.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Budgets
for the Temporary Committee on 'From the Single Act to Maastricht and beyond'

Draftsman Mr COLOM I NAVAL

At the meeting of 26 February 1992 the Committee on Budgets appointed Mr Colom I Naval draftsman.

At the meeting of 6 April 1992 the committee considered the draft opinion.

At the latter meeting it adopted the conclusions by 13 votes to 1, with 2 abstentions.

The following were present for the vote: von der Vring, chairman; Pasty, second vice-chairman; Cornelissen, third vice-chairman; Colom I Naval, draftsman; Blak, Cassidy, Duarte, Goedemakers, Marques Mendes, Napoletano, Onur (for Papoutsis), Samland, Simons (for A. Smith), Tomlinson, Wynn and Zavvos.

1. The recent Maastricht agreements and the draft Treaty on European Union make it necessary for us to reconsider and update our ideas on what the Community's objectives should be and how it should achieve them. The Commission intends to stimulate such a debate in its document entitled From the Single Act to Maastricht and beyond: the means to match our ambitions (COM(92) 2000), which covers budgetary and financial questions in detail; it may be considered timely and is certainly welcome. It contains various positive features and is a stimulating point of departure for the necessary discussion within the Community's political bodies prior to the implementation of all that Maastricht represents for the future.

2. However, although the Commission document is generally on the right lines, it has evident shortcomings and adopts certain positions which the Committee on Budgets, in accordance with a long line of resolutions passed by Parliament, does not share.

3. Recently, Parliament has strongly condemned the fact that advantage was not taken of this historic occasion to make good the democratic deficit. In particular, the Committee on Budgets stresses the significance of such a deficit in the financial and budgetary field, which is one of the essential aspects of representative democracy and one in which Parliament has had greater powers.

4. It should be emphasized above all that, whatever its value in relation to the ultimate objective of the political organization of Europe, the proposed unification of the Community, not just in economic and monetary but also in political terms, will require greater 'fiscal federalism' in its public finance system.

5. Parliament fears that the means proposed by the Commission will not match the ambitions expressed in the Maastricht agreements. Instead of considering the level of resources required after calculating the amount of funding needed on the basis of what the volume and intensity of the proposed Community policies and initiatives will cost, it appears that the Commission has taken as a starting point for its analysis the setting of a ceiling on available resources (1.37% of GNP in 1997), based on the possibility of an agreement amongst the Member States.

6. From a political point of view, such an approach is scarcely illuminating. There is no reason other than (presumably) pragmatism for fixing a resources ceiling of 1.37% of GNP; identical 'justification' could be given for higher or even lower percentages. However, the Committee on Budgets notes from its analysis of the Commission proposal that the percentage in question has been called for so as to cover a cost structure which differs qualitatively from that which the 1.4% proposed in 1988 (in COM(88) 100, Implementing the Single Act) was intended to cover. This means that the values in question do not exactly correspond to each other and should not therefore be compared. In any event, and given the obvious link with expenditure in the various public sector bodies, such a ceiling could be much more meaningful if it were expressed in relation to the combined public expenditure of the Member States.

7. As a result of this restrictive approach, the Commission has once again missed the opportunity of raising in a serious fashion the question of the efficiency threshold of Community expenditure, either from the general perspective of redistribution or from the specific point of view of each of the main priority policies.

8. Nor has the Commission had the courage to submit an innovatory proposal for agricultural expenditure which could prevent high-priority Community policies and initiatives from being jettisoned on the grounds that resources are restricted from the outset. The apparent restrictiveness of the guideline can only in actual fact be considered as the maintenance of a certain status quo which favours agricultural expenditure over that in any other field, particularly expenditure relating to certain internal policies which Parliament has traditionally supported. In fact the sheer scale of Community expenditure on agriculture and the number and geographical spread of its recipients help to aggravate the problem of the effectiveness of Community expenditure, particularly in relation to the achievement of cohesion and the redistribution of income within the Community.

9. The Committee on Budgets also expressly rejects the idea of restricting the financial analysis of the package to the question of balances in the flow of budgetary resources between the Member States and the Community, a question which also arises explicitly in various social and institutional fields. On the one hand, such an approach totally excludes the generally positive aspects of the current process of creating a single market and those of Economic and Monetary Union and Political Union, in particular as regards the creation of important synergies and, in general, of new public assets at Community level. On the other hand the inevitable increase in Community expenditure is gradually replacing a substantial part of national expenditure, as a result of which it cannot be considered in a simplistic fashion as an increase in public expenditure at Community level.

10. It should be stressed in this context that, although some of the costs of the Delors package are attributable to Maastricht, the expected economic benefits of Economic and Monetary Union by themselves will be several times greater than those costs. It will be the policy accompanying Economic and Monetary Union which will ensure that the benefits of establishing such a union will be greater for each and every one of the Member States and their citizens.

11. The establishment of a new cohesion fund is, on the other hand, particularly timely, both in relation to the means of achieving the necessary convergence linked to Economic and Monetary Union and in so far as it represents a first step towards the introduction of a financial equalization system such as Parliament has called for repeatedly. It must therefore be clearly distinguished from the existing Structural Funds in view of the fact that its aim and function appear different, although there must logically be coordination and coherence between it and the Structural Funds.

12. As far as funding is concerned, the Committee on Budgets regrets once again that Maastricht did not open the way to the establishment of a Community tax. Here again there is a lack of boldness in the Commission's proposals. It may be wondered why a shift in the balance from VAT to GNP as a source of funding was not given greater consideration, and why the introduction of a fifth source of funding was not proposed at this stage. In any event the Commission should be called on to submit within a specific period of time (for example, before the end of 1994) a practical proposal for a Community tax which could be adopted at a forthcoming intergovernmental conference.

Conclusions

13. The Committee on Budgets supports the negotiation of a new interinstitutional agreement which will ensure coordinated medium-term financial planning in the context of flexible institutional relations based on the principle of equality as regards both revenue and expenditure between the two arms of the budgetary authority, thus helping to overcome in practical terms the democratic deficit which still exists in the new draft Treaty.

14. It accordingly proposes that, by employing a progressive interpretation of Community law, the new interinstitutional agreement should incorporate suitable arrangements to guarantee such equality between the two arms of budgetary authority - Parliament and the Council - with a view to:

- eliminating in practice, until such time as it finally disappears from the text of the Treaty, the obsolete distinction between compulsory and non-compulsory expenditure;

- establishing in the first place and by common agreement a list of Community obligations which, in terms of expenditure, constitute commitments recognized as such by both arms of the budgetary authority;

- subsequently determining the precise levels of expenditure to ensure that the various politically defined objectives and priorities are achieved;

- lastly, getting Parliament and the Council jointly to determine the framework and the volume of own resources needed for expenditure to be covered, without any decision regarding ceilings thereon being reserved for the Council acting unanimously.

15. A fundamental requirement continues to be the implementation of the principle of budgetary universality. Accordingly, Parliament should express its satisfaction that the Commission supports the inclusion in the budget of the EDF and the Community's borrowing and lending operations.

16. As regards revenue, the Community should introduce a proper and appropriate tax policy guaranteed by genuine democratic control based on a strengthening of Parliament's powers.

17. Consideration should be given to reducing the regressive nature of the current own-resources system and strengthening its Community character through a radical reduction in the importance of VAT as a source of funding and the introduction of a fifth source in the form of a proper Community tax. In view of the interpersonal and interterritorial regressiveness of VAT as a source of funding (which has already been condemned by Parliament on previous occasions), the main - if not the only - reason why the Committee on Budgets does not propose its abolition is that progressive fiscal harmonization will convert it into an embryonic Community own-resource for the future which will be easy to operate. In the meantime the greater importance of GNP as a source of funding should be accompanied by greater harmonization of the bases for calculating this macroeconomic aggregate.

18. It also welcomes the proposal for a new medium-term financial framework to prevent a forecasting vacuum in the last years of the five-year period.

19. As regards the financial perspective, the Commission's proposal for a contingency reserve is a welcome one. Parliament should insist that, without excluding the reallocation of resources stemming from the reordering of priorities, the financing of new objectives, policies or projects should not prevent existing policies from being maintained.

20. Without prejudice to any adjustment of means and objectives which may be considered necessary, the Structural Funds will continue to play a decisive role in the strengthening of social and economic cohesion in the Community. As a result, the effort initiated in 1988 to double the Funds in real terms by 1993 should be consolidated.

21. The figures submitted by the Commission as a proposal for the next five-year period are therefore somewhat off the beam since they take the 1992 financial year as a reference point.

22. The establishment of a new cohesion fund is, on the other hand, particularly timely, both in relation to the means of achieving the necessary convergence linked to Economic and Monetary Union and in so far as it represents a first step towards the introduction of a financial equalization system such as Parliament has called for repeatedly.

23. The funding of internal policies comes up against the need for greater coherence between political planning and financial planning. The new interinstitutional agreement should therefore take into account the subsidiarity principle, together with the strict and generalized application of cost/benefit and cost/effectiveness methods of analysis.

24. Better assessment should be made of the financial repercussions of external policies, based on better coordination between the Community and the Member States. The breakdown proposed by the Commission concerning internal policies no doubt enables a distinction to be made between the repercussions of the two types of initiative but certain grey areas still need to be clarified, such as the cost of operating, and transactions resulting from, the common foreign and security policy or the classification of appropriations relating to fishing agreements.

ANNEX

- The 1993-1997 financial perspective and revision of the Interinstitutional Agreement
  Author: Mr LO GIUDICE

- The European Community's own resources
  Author: Mrs NAPOLETANO

- The Structural Funds in the light of Commission document COM (92)2000
  Author: Mr MARQUES MENDES

- External aspects
  Auhtor: Mr MIRANDA DA SILVA

- Internal policies
  Author: Mr ZAVVOS

- Financial instruments not included in the budget
  Author: Mr PASTY

- Administrative expenditure
  Author: Mr ELLES

The 1993-1997 financial perspective and revision of the Interinstitutional Agreement

Author: Mr Calogero LO GIUDICE

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1. 1992 will see the expiry of the Interinstitutional Agreement signed by the three institutions in June 1988 which regulated the budgetary procedure over the five years 1988-1992. In practical terms this means that, if the agreement and the financial perspective attached are not renewed, from the 1993 budget onwards there will be a return to application of Article 203 of the Treaty, which is in many respects obsolete.

2. With regard to renewal of the Interinstitutional Agreement, Article 19 stipulated that the Commission had to submit a report before the end of 1991 on the application of the Agreement and on the amendments necessary with a view to its possible renewal. These deadlines were not respected by the Commission, which may put forward the excuse of the 'upsets' caused by the signing of the Maastricht Treaty and preparation of the proposals on future financing which are the subject of this opinion.

An initial assessment of the 1988 Agreement

3. The expenditure planning which was introduced in 1988 put an end to a period of serious conflict between the Parliament and the Council on the maximum rate of increase in non-compulsory expenditure, which Parliament was able to exploit to the full, opening new budget lines, introducing a new dynamic which gave rise to new policies, and acquiring a power which has certainly put out the Council.

4. At the end of this five-year experience and in view of the lack of amendments to the financial provisions under the Maastricht Treaty, it is worth pointing out certain negative and positive aspects of the Agreement and the financial perspective.

Negative aspects of the Agreement

5. In your rapporteur's opinion, the Interinstitutional Agreement - while it had its positive aspects - missed the most important objective which was, and remains, to restore the balance of powers between the two arms of the budgetary authority. In fact, in the period when the Agreement was in force the Council did not take account of developments in its interpretation of the provisions of Article 203 of the Treaty, and hence its relationship with Parliament, often considered only formally as part of the budgetary authority.

6. Furthermore, the imposition of the Council's interpretation of Article 12 of the Interinstitutional Agreement confined the use of the contingency reserve to foreign policy only. This forced Parliament to suffer the threat of recourse to Article 4 - i.e. unanimity of the Council - for future revisions. This concept of unanimity is manifestly contrary to

Article 203 of the Treaty which stipulates that all decisions concerning the budget must be taken by a qualified majority.

7. The inflexibility introduced by the Council's interpretations was made worse by the Commission's failure to apply in full the adjustments of the financial perspective to movements in GNP and prices, as stipulated in Article 9 of the Agreement.

8. Both the above facts certainly deprived the Community of resources which could have served both to strengthen internal policies and to respond more quickly (and with more dignity) to the demands of foreign policy which history has generously presented to us in recent months.

Positive aspects

9. The Interinstitutional Agreement was, however, a positive step in the development of Community financial law. The resolution ratifying the Interinstitutional Agreement of 15 June 1988 (OJ No. C 187, 18.7.1988) described the Agreement as a code of conduct with a view to implementation of the Single Act. In this sense it should be given credit for having created a climate of greater clarity and trust in relations between the two arms of the budgetary authority, formerly characterized by conflict and tension.

10. The Interinstitutional Agreement also had the indisputable merit of having allowed for a balanced increase in Community activities and their financing which would have been difficult to achieve through application of the rules on the maximum rate laid down in Article 203.

11. In accepting the limitations set by the financial perspective Parliament showed a sense of responsibility and helped to bring the Community out of the financial crisis of the 1980s, by providing for the financing of policies directed towards the completion of the single market and economic and social cohesion. Parliament also wished to underline the importance of medium-term expenditure planning.

Some data

12. It is useful to conclude these initial observations on the assessment of the financial perspective by adding some data on the evolution of the financial perspectives for the various categories of expenditure over the last five years.

13. If we compare the two tables, the first on the financial perspective relating to the 1988 forecasts and the second showing the actual figures, which takes account of the various technical adjustments (Article 9 of the Interinstitutional Agreement) and other adjustments (Articles 10, 11 and 12) we see:

- a better balance between the categories of expenditure, at least in comparison with the forecasts;
- a significant increase in appropriations for structural measures and for 'other policies' (category 4);

- an increase in non-compulsory expenditure higher than the estimated overall budget increase;

- a growth in Community GNP above the forecasts which leaves the perspective far below the limits fixed by the budgetary discipline.

14. With regard to the increase in GNP, your rapporteur can only stress that the Community (and in particular the Council) has been unable to take advantage of the particularly favourable economic situation to help the completion of the single market.

15. With regard to the structural funds, the increase in appropriations confirms the essentially positive judgment on the reform, but having said that your rapporteur stresses the uncertainty surrounding the future of the funds after 1993, a subject on which the competent committees will have to give their opinion.

16. With regard to 'other policies' (Category 4), a more detailed analysis of the increase in appropriations entered in the Community's annual budgets clearly shows that the increases went mainly to the Community's external policies, mostly on account of the unforeseen and unforeseeable events of 1988.

<u>What agreement and what perspective for the period 1993-1997?</u>

17. These considerations seem necessary as a prelude to the observations on Community financing proposed in COM(92) 2000 for the period 1993-1997.

18. In the light of past experience, we may confirm first of all that expenditure planning would be desirable provided that:

    - Parliament has guarantees for the financing of policies which it has for some time seen as a priority - for example, economic and social cohesion, research, the environment, transport, etc.;

    - the constraints and inflexibility which severely restricted its scope can be abolished.

19. An initial reading of COM(92) 2000 reveals the absence of both these preconditions.

20. Another consideration concerns the overall funding fixed by the Community for 1997 at 1.37% of GNP. It is easy to note that this is 0.17% above the figure laid down by the 1992 budget discipline. On this we can only agree with the rapporteur of the Temporary Committee, Mr von der Vring, when he states that if the commitments of the Maastricht Treaty (not yet ratified by the national parliaments but nevertheless signed by the 12 Heads of State or Government) are to be taken seriously, the increase by 0.17% of GNP appears inadequate.

21. Another consideration concerns what sense there is in Parliament negotiating new financial perspectives when this idea, like all the other proposals for modifications regarding financial provisions of the

Treaties, were rejected when revision of the Treaties was being considered.

22. Failure to adopt the proposals for modifications to the financial provisions of the Treaties must be interpreted as a specific desire on the part of the governments to return to the situation as it was before 1988, or as an implicit recognition that with regard to the budget what counts is the consensus between the two arms of the budgetary authority.

23. In any case it would be difficult for Parliament to have an interest in advancing discussion of the new financial perspective if it was not accompanied by a new Interinstitutional Agreement not only eliminating the negative aspects pointed out above but also making it possible to satisfy, at least partly, Parliament's expectations on revision of the Treaties with regard to the financial provisions.

<u>Distribution of overall funding</u>

24. The Commission proposes a structure of financial planning which broadly follows the structure of the financial perspective 1988-1992.

<u>Category 1</u> : EAGGF-Guarantee
The proposal is for an increase of the guideline by ECU 1.5 billion to finance reform of the CAP. While an approach to budgetary discipline which is variable (i.e. depending on needs) is to be rejected, the increase in the agricultural guideline could be justified only if closely linked to a thoroughgoing reform of the CAP which amends the current structure of agricultural expenditure. Community support should no longer be an incentive to production and should therefore be predictable over the years. In practical terms the increase in the guideline could be frozen until the reform is adopted in full.

<u>Category 2</u> : structural operations for economic and social cohesion
Besides the three traditional funds there is the new Cohesion Fund created by the Maastricht Treaty for countries with a GDP of less than 90% of the Community average. This fund shall have a budget of around ECU 2.5 billion.

The idea of pursuing the actions of the other structural funds is a good one. It should not be forgotten that while the operation of the single market, now almost complete, and the strengthening of Economic and Monetary Union, will on the one hand bolster the wealthier and more developed regions of the Community, this process could further weaken the more vulnerable and marginal regions. These regions would thus pay the highest price of European integration.

In this context the proposed doubling of the funds for the Objective 1 regions and the 50% increase in the allocations for the other structural policy objectives appear to be <u>the very minimum needed</u> to ensure that economic cohesion goes hand in hand with the development of political, economic and monetary integration. Your rapporteur believes that operations funded within this category will probably come up against legislative rather than financial problems, i.e. the effectiveness of investments.

Category 3: Internal policies

In the Commission's proposals, this category would include all internal policies, with the exception of structural policies. The greatest change compared with the 1988 - 1992 financial perspective is the inclusion of research policy in this category. Like former category 4 of the 1988-1992 financial perspective, the new category 3 of the proposal does not appear to have sufficient funding. As mentioned earlier, given that the commitments entered into under the new Treaty are supposed to have a real impact on European society, while at the same time respecting the principle of subsidiarity, the allocations provided for are ridiculously low.

It will be up to the responsible parliamentary committees in particular to quantify the real requirements of the various policies included in this category.

Category 4: External policies

This is the category which has seen the greatest increase in funding in recent years and concerning which there is generally greatest agreement between the two arms of the budgetary authority. However, it should not be forgotten that this category is subject to greater uncertainties relating to the development of the political situation in third countries, particularly those bordering on the Community. Unlike category 3, the problem relating to category 4 is one of decision-making rather than mere financing. The new Interinstitutional Agreement will have to make provision for suitable mechanisms to ensure that the new decisions on external aid are taken in accordance with the budgetary authority so as to achieve coordination between decisions and funding.

Category 5: Administration

Parliament's administrative resources would be concentrated in a single category given over to administrative expenditure, thereby avoiding the confusion engendered during the period 1988 - 1992 owing to the inclusion in this category of repayments by Member States and stock disposal, which meant that the margin available for administrative expenditure was not at all clear and was often excessively changeable. The Commission proposes that three sub-ceilings be created: one for Commission personnel and administrative expenditure, one for personnel and administrative expenditure for the other institutions and one for the property expenditure of all the institutions.

Although the creation of a separate chapter for property expenditure appears to be in line with Parliament's wishes, as expressed on several occasions, the sub-ceiling for institutions under category 5 may introduce an artificial and inappropriate rigidity which contradicts the very idea of planning. Consideration should be given to the adequacy of the funding proposed by the Commission, inter alia through contacts with the other institutions.

Category 6: Reserves

In addition to the monetary reserve for the EAGGF - Guarantee, which would be reduced by 50%, the Commission proposed that a new reserve of 900 million ECU be set up for special expenditure related to external policy, in particular emergency aid and loan guarantees.
As mentioned earlier in connection with category 4, it appears important above all to define the decision-making procedures for this category (legislative and budgetary decisions) to ensure that the financial resources are used efficiently. It should be borne in mind that a margin for unforeseen expenditure equivalent to 0.03% of GDP should be added to this reserve so that adjustments can be made to the financial perspective. As stated at the beginning of this document, a change in the procedures for using this margin (in particular majority voting in the Council) must be a fundamental aspect of the new agreement.

Final remarks

25. Because this is the initial stage of the debate on the new 1993-1997 financial perspective, conclusions cannot be drawn at present. That having been said, the debate in the working party on the future financing of the Community and the Committee on Budgets' opinion for the Temporary Committee on the Delors II package should clarify:

- in quantitative terms, the close link between financial planning for the period 1993-1997 and the actual objectives of the Maastricht Treaty in terms of new policies;

- in terms of budgetary procedure, the close link between financial planning for the period 1993-1997 and the substance of a new Interinstitutional Agreement which achieves a better balance between the two arms of the budgetary authority. This will entail defining the conditions enabling Parliament to view the new agreement as a new stage in the further development of the budgetary process;

- in institutional terms, the link between medium-term financial planning, the annual budget and Parliament's new legislative role (the power of co-decision).

PERSPECTIVES FINANCIERES 1992
prix courants

(en millions d'écus)

CATEGORIE	1988	%	1989	%	1990	%	1991	%	1992	%
1.FEOGA Garantie	27,500	60,7	28,613	59,0	30,700	57,4	33,000	54,3	35,039	52,6
2.Actions structurelles	7,790	17,2	9,522	19,6	11,555	21,6	14,804	24,4	18,109	27,2
3.Politiques à dotation pluriannuelle	1,210	2,7	1,708	3,5	2,071	3,9	2,466	4,1	2,915	4,4
4.Autres polit.	2,103	4,6	2,468	5,1	3,229	6,0	4,920	8,1	5,636	8,5
dont DNO	1,646	3,6	1,864	3,8	2,523	4,7	4,010	6,6	4,704	7,1
5.Remboursem[ts]/ Administration	5,700	12,6	5,153	10,6	4,930	9,2	4,559	7,5	3,893	5,8
dont déstockage	1,240	2,7	1,449	3,0	1,523	2,8	1,375	2,3	1,191	1,8
6.Réserve monétaire	1,000	2,2	1,000	2,1	1,000	1,9	1,000	1,6	1,000	1,5
TOTAL	45,303	100	48,464	100	53,485	100	60,749	100	66,592	100
dont										
dépens. obligat.	33,698	74,4	33,764	69,7	35,454	66,3	37,199	61,2	38,260	57,5
dép. non oblig.	11,605	25,6	14,700	30,3	18,031	33,7	23,550	38,8	28,332	42,5
Crédits de paiement	43,779		46,885		51,291		58,458		63,241	
dont										
dépens. obligat.	33,640		33,745		35,372		37,195		38,200	
dép. non oblig.	10,139		13,140		15,919		21,263		25,041	
Paiements en % du PNB	1,09		1,07		1,09		1,12		1,14	
Marge pour les imprévus	0,03		0,03		0,03		0,03		0,03	
RESSOURCES PROPRES en % du PNB	1,15		1,17		1,18		1,19		1,20	

ANNEXE II

PERSPECTIVES FINANCIERES DEFINIES EN 1988
prix en 1988

(en millions d'écus)

CATEGORIE	1988	%	1989	%	1990	%	1991	%	1992	%
1.FEOGA Garantie	27,500	60,7	27,700	59,1	28,400	58,1	29,000	56,9	29,600	56,1
2.Actions structurelles	7,790	23,1	9,200	19,6	10,600	21,7	12,100	23,7	13,450	25,5
3.Politiques à dotation pluriannuelle	1,210	2,7	1,650	3,5	1,900	3,9	2,150	4,2	2,400	4,5
4.Autres polit.	2,103	4,6	2,385	5,1	2,500	5,1	2,700	5,3	2,800	5,3
dont DNO	1,646	3,6	1,801	3,8	1,860	3,8	1,910	3,7	1,970	3,7
5.Remboursem^ts/ Administration	5,700	12,6	4,950	10,6	4,500	9,2	4,000	7,9	3,550	6,7
dont déstockage	1,240	2,7	1,400	3,0	1,400	2,9	1,400	2,7	1,400	2,7
6.Réserve monétaire	1,000	2,2	1,000	2,1	1,000	2,0	1,000	2,0	1,000	1,9
TOTAL	45,303	100	46,885	100	48,900	100	50,950	100	52,800	100
dont dépens. obligat.	33,698	74,4	32,607	69,5	32,810	67,1	32,980	64,7	33,400	63,3
dép. non oblig.	11,605	25,6	14,278	30,5	16,090	32,9	17,970	35,3	19,400	36,7
Crédits de paiement	43,779		45,300		46,900		48,500		50,100	
dont dépens. obligat.	33,640		32,604		32,740		32,910		33,110	
dép. non oblig.	10,139		12,696		14,160		15,690		16,990	
Paiements en % du PNB	1,12		1,14		1,15		1,16		1,17	
Marge pour les imprévus	0,03		0,03		0,03		0,03		0,03	
RESSOURCES PROPRES en % du PNB	1,15		1,17		1,18		1,19		1,20	

The European Community's own resources

Author: Mrs Pasqualina NAPOLETANO

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1. In the document COM(92) 2000, the Commission promises amendments to the own resources system which has been in force since 1988. These amendments are justified and detailed in the document of 9 March 1992, which was submitted in accordance with Article 10 of the Decision on own resources.

2. In submitting its new proposals, the Commission is responding to the wish expressed at the European Council in Maastricht that Community resources should take more account of the real ability of states to contribute and that the regressive elements which exist in the current system should be eliminated or at least reduced.

3. In specific terms, the Commission proposes that:

   - the VAT base should be capped, with the maximum rate being reduced from 55% to 50% of Gnp;

   - the maximum call-in rate of VAT should be reduced from 1.4% to 1%.

   The combined effect of these two measures would reduce the VAT component of the Community's resources from 55% to 35%. The share of the Gnp resource would automatically increase.

4. The so-called traditional own resources (customs duties, agricultural levies and levies on sugar) now represent less than 25% of Community funds (as against 50% in 1980).

5. Moreover, the trend towards generalized tariff reductions, the reduction in trade with countries outside the Community (from 12.6% in 1980 to 9.5% in 1991) and the reform of the CAP with the reduction in price discrepancies between the Community and world markets will significantly reduce traditional own resources in the next few years in both absolute and percentage terms.

6. In other words, the Community budget would be financed almost exclusively by financial contributions from the Member States if one takes the view that even VAT based contributions are in fact payments from national budgets to the Community budget.

Some comments

7. The Commission should have had the courage to propose a new Interinstitutional Agreement which would give the Community a real financial and fiscal policy and this would also make it necessary to redefine Parliament's role with regard to revenue. The Commission's analyses make it quite clear that determining the volume and nature of

revenue is not a technical exercise but forms an integral part of the Community's financial policy.

8. The overall consequence of the Commission's proposals is that the Community's financial independence will be reduced as the national contribution increases. In the long term, this change will cause problems with national governments and parliaments, which regard the funds simply as a transfer of national resources, losing sight of the fact that it represents the payment of a resource linked to the increased wealth created by the Community (its own resource).

9. The concern of the European Council and the Commission to reduce the regressive elements and increase the progressive nature of national contributions can be accepted in principle but not in terms of the method adopted. While the proposal reduces some regressive effects, it does not introduce any element of progressivity. In fact, by increasing the Gnp percentage, the Commission is establishing a financing system which is closer to a proportional arrangement but not really progressive.

10. Moreover, the proposed system, which is based mainly on Gnp, makes it necessary to eliminate the differences in the methods used in the twelve Member States to calculate Gnp and the results of their harmonization.

11. The most serious aspect of the Commission proposal, however, is the failure to give serious consideration to the introduction of a fifth resource.

12. The theoretical studies are surely at a more advanced stage than the Commission suggests. There is no analysis whatever of the impact in terms of resources of a company tax, an environmental tax or even a tax on natural persons (Biehl-Majocchi proposal) in the documents containing the Commission's proposals, although the favourable impact that such measures might have on public opinion are recognized.

13. Finally, it should not be forgotten that unless tangible progress is made on own resources - and in other sectors - Parliament would gain nothing by supporting a new Interinstitutional Agreement and would be obliged to implement Article 203 of the Treaty to the letter.

14. In conclusion, the Working Party on Future Financing and the Committee on Budgets should:

    (a) as part of the new Interinstitutional Agreement, negotiate a genuine and satisfactory financial and fiscal policy for the Community, guaranteed by real democratic control through a strengthening of Parliament's powers, particularly as regards revenue;

    (b) criticize the substantial reduction in the Community's financial autonomy as a result of the reduction in own resources and the increase in financial contributions;

    (c) call for greater harmonization of the bases for calculating Gnp in the Member States; otherwise it would not be possible to finance more than half the Community budget from the Gnp resources;

(d) ask the Commission to propose alternative types of financing which increase the progressive character of resources;

(e) request the Commission to put forward proposals to introduce a fifth resource, which could take the form, for example, of a tax on companies, following fiscal harmonization, or on the environment (CO_2); both these options meet the criteria established by the Commission for a fifth resource;

(f) point out that a fairer system of financing the Community budget would eliminate the need to introduce corrective mechanisms, such as that for the United Kingdom;

(g) point out that, unless the Interinstitutional Agreement ensures progress towards the democratic control of financial policy, Parliament will implement Article 203 of the Treaty.

The Structural Funds in the light of Commission document COM(92) 2000

Author: Mr António MARQUES MENDES

I - GENERAL ASSESSMENT

(1) Economic and social cohesion

One of the main questions raised by the Commission's proposal (COM 2000) is that of economic and social cohesion. The role of this issue in the Maastricht discussions must not be forgotten - without cohesion there would have been no Maastricht agreement. It has now become one of the pillars of the Community structure. How could it be otherwise when per capita GDP in the Community varies from 52% to 130 % (Annex I)?

It is generally agreed that the advantages of the single market, European union, monetary union and the related measures will stimulate growth in a disproportionate fashion in the most favoured Member States and their most prosperous regions. The economic differences between the regions may also be accentuated by factors other than these intra-Community ones, such as the changes in the Eastern European countries, the creation of the European economic area comprising the EEC and the EFTA countries, and the outcome of the GATT negotiations.

Together these factors constitute a good reason to continue with the programme of financial support for the Community's least prosperous regions and Member States, the pursuit of economic cohesion and the consequent rejection of the idea of a multi-track Europe being an essential condition without which neither today's Single Market nor tomorrow's EMU can become a reality.

(2) The Structural Funds - the verdict

The Structural Funds must continue to play a very important, possibly even decisive, role in promoting economic and social cohesion. The results of the application of the 1988 reform of the Structural Funds may be regarded as generally positive. Their socio-economic impact can be assessed by analyzing what would happen if the appropriations were not available. An initial assessment shows that the funds have the greatest impact in Portugal and Greece; the Commission estimates that the GDPs of Portugal and Greece are respectively 4% and 2.6% more than they would have been without Community funds over the five years in question.

As the Commission notes (COM 2000, page 8), the 'success of the PEDIP programme to develop Portuguese industry', carried out in the context of structural measures designed to foster cohesion, should be acknowledged.

This analysis also leads to the conclusion that the 1988 decisions must be both improved upon and reinforced. This is the background against which we must evaluate the Commission proposals contained in its document COM(92) 2000, which correctly interprets the spirit of the Maastricht Treaty by providing in the interests of economic and social cohesion not only for measures financed by the Structural and additional funds, but also, in the fields of transport and the environment, for interventions by the new Cohesion Fund.

(3) <u>The Cohesion Fund</u>

The Cohesion Fund, which was set up at Maastricht as a very important instrument of cohesion, is for the benefit of Member States (Spain, Portugal, Greece and Ireland) rather than regions (as the funds have traditionally been). One of its objectives is to establish a positive correlation with policies of economic convergence with a view to EMU.

The funding depends on the Member States' in question presenting and implementing a convergence programme which fulfils the conditions laid down in Article 104C, with reference to deficits in particular.

The purpose of the fund's interventions is to help these Member States to bear the budgetary cost of Community decisions relating to the environment and transport infrastructures.

With regard to the trans-European transport networks, it will be necessary to establish the guidelines which will condition the common interest projects to be funded, as mentioned in the Commission document of 5 March 'Community public finance 1992-1997 (page 25).

II - THE COMMISSION'S PROPOSALS - COM(92) 2000

(1) <u>The funds available</u>

Part of the debate on future funding will revolve around the financial resources to be made available for structural measures. It seems to be widely accepted that a structural policy must continue to be pursued as a <u>sine qua non</u> for European integration. The main subject of discussion will undoubtedly be the size of the funds.

What facts are known so far?

- the Commission proposes the following increases in the funds:
- almost 67% for the objective 1 regions and 50% for the others (including the new fisheries objective)
- doubling of the resources available for the outermost regions
- for the 4 Member States which qualify for assistance from the Cohesion Fund (GNP below 90% of the Community average), the Structural Funds and the Cohesion Fund taken together will, for the objective 1 regions, amount in 1997 to twice the sum available in 1992.

It should be stressed, however, that the position of the increases proposed for 92/93 is the result of decisions taken in 1988 and thus included in the CSFs. So the actual increase proposed for the objective 1 regions is in fact 47%.

These percentages should be compared with the increases proposed by the Commission for external policy (75%) and other internal policies, including research (72.5%).

In its document entitled 'Community public finance 1992-1997' the Commission presents its proposed financial perspective for 1993-1997 (see Annex II). for category 2 - 'structural operations' - to which an overall sum of ECU 37 018 m (including PIM and PEDIP) is allocated in 1992, the Commission proposes a total of ECU 58 600 m (1992 prices) in 1997.

It is, however, important and indeed necessary to know what breakdown the Commission has in mind for each fund and each objective, taking account inter alia of the creation of an objective 6 (fisheries) and the changes mentioned by the Commission to objectives 5a and 5b following the CAP reform.

(2) Main conclusions

(a) It is essential that the amounts allocated to the Structural Funds should reach at least the limits laid down in COM 2000 by 1997; ECU 11 000 m must be seen as the minimum increase needed for the goal of economic and social cohesion to be pursued.

(b) The fund's objectives must be adjusted: objective 1 must be supplemented with measures in new areas such as health, education and housing. Objectives 3 and 4 must be reorientated towards industrial resettlement and retraining of workers.

(c) A new objective 6 must be created for fisheries, incorporating the structural measures in the sector aimed at achieving the necessary changes and cushioning their economic, regional and social effects in the areas which are dependent on fisheries. These areas will have to be defined, bearing in mind the percentage of fishermen in the working population and the percentage of GDP and GVA accounted for by the sector.

(d) It is important to maintain or even step up Community-initiated programmes as a complement to the national policies which form part of the CSFs where the consultation rule would be essential.

(e) Acting in accordance with the principles of consultation, planning, cooperation, additionality and subsidiarity, the regulations governing the Structural Funds must be modified with a view to achieving simplified procedures, decentralization (while encouraging a greater spirit of partnership in planning and executing programmes), wider eligibility (once again retaining the PEDIP programme) and flexibility (with a higher percentage of Community funding in some cases).

(f) With regard to trans-European networks and the environment which are to be covered by the new Cohesion Fund, the rules of eligibility and the criteria on which Community decisions are based must be precisely defined.

(g) The arguments set out above regarding an increase in the resources allocated highlight the urgent need for negotiations leading as rapidly as possible to a new interinstitutional agreement and a financial perspective for the period to 1997.

Produit intérieur brut aux prix courants par habitant

(en SPA EUR 12; EUR 12 = 100)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR12
1960	95.4	118.3	117.9	38.6	60.3	105.8	60.8	86.5	158.5	118.6	38.7	128.6	100.0
1961	95.4	119.6	116.4	40.7	63.8	105.7	61.3	89.0	160.5	115.4	39.0	125.9	100.0
1962	96.5	121.0	116.2	39.6	66.7	106.8	60.8	90.6	141.5	114.1	40.2	121.6	100.0
1963	96.5	116.6	114.2	42.0	69.5	106.7	61.1	91.7	138.1	112.6	40.8	121.2	100.0
1964	97.5	120.6	115.0	43.2	69.6	107.0	60.2	89.2	140.9	114.8	41.5	121.0	100.0
1965	96.7	120.9	116.0	45.5	70.8	107.4	59.0	88.4	136.3	115.2	43.2	119.1	100.0
1966	96.1	119.5	114.7	46.4	72.7	108.7	57.6	90.2	132.8	113.2	43.6	117.0	100.0
1967	96.5	119.1	111.2	47.1	72.8	109.8	59.0	93.5	132.0	114.6	45.8	115.8	100.0
1968	95.7	117.7	111.8	47.8	73.4	108.6	60.7	94.6	132.4	115.4	47.7	114.6	100.0
1969	96.7	118.2	113.0	49.8	75.3	109.5	60.8	94.7	140.4	115.5	47.0	110.6	100.0
1970	98.9	115.2	113.2	51.6	74.7	110.4	59.5	95.4	141.4	115.8	48.9	108.5	100.0
1971	99.9	114.7	112.6	53.7	75.6	111.9	59.6	94.0	130.8	116.4	51.2	107.5	100.0
1972	101.1	115.9	112.6	56.1	78.1	111.4	60.3	92.5	133.6	114.9	53.5	107.0	100.0
1973	101.2	113.1	111.1	56.8	79.0	110.4	58.9	93.3	141.9	113.1	56.4	108.5	100.0
1974	103.5	110.0	109.7	53.7	81.2	111.1	59.5	96.3	152.8	115.0	55.4	105.2	100.0
1975	103.1	110.5	109.9	57.3	81.9	111.8	62.7	94.6	126.7	115.5	52.2	105.9	100.0
1976	104.2	112.4	111.5	57.6	80.1	111.4	60.0	96.1	125.7	115.4	52.3	104.2	100.0
1977	101.9	111.0	112.2	57.2	79.5	111.9	62.4	96.5	119.1	114.4	53.1	104.0	100.0
1978	101.8	109.3	112.4	58.6	77.6	112.1	64.3	97.0	119.4	113.4	52.8	104.9	100.0
1979	100.8	109.4	113.5	58.2	74.5	111.7	63.2	99.4	118.6	111.8	53.6	104.5	100.0
1980	104.1	107.8	113.6	58.1	74.2	111.6	64.0	102.5	118.5	110.9	56.0	101.1	100.0
1981	103.2	107.2	113.8	57.8	73.4	112.6	65.4	103.5	117.1	109.7	55.6	100.0	100.0
1982	104.1	109.8	112.5	57.3	73.5	113.9	65.8	103.0	118.7	106.9	56.0	101.2	100.0
1983	103.0	111.1	113.0	56.4	73.4	112.6	64.3	102.3	118.3	106.5	54.7	103.4	100.0
1984	103.0	113.4	114.2	56.4	72.8	111.5	65.2	102.9	120.7	107.1	52.1	103.2	100.0
1985	101.6	115.8	114.2	56.7	72.5	110.6	65.2	103.1	122.4	107.0	52.0	104.2	100.0
1986	100.6	117.0	114.0	55.9	72.8	110.1	63.4	103.0	126.2	106.0	52.5	105.4	100.0
1987	100.1	114.2	112.9	54.2	74.7	108.9	64.5	103.2	123.1	103.4	53.6	107.2	100.0
1988	100.9	110.7	112.3	54.3	75.7	108.4	64.7	103.5	124.4	101.7	53.7	108.0	100.0
1989	101.3	108.8	111.7	54.1	76.9	108.6	67.0	103.6	129.7	102.2	54.9	106.9	100.0
1990	102.6	108.2	112.8	52.6	77.8	108.6	69.0	103.1	125.6	103.1	55.7	105.1	100.0
1991	103.0	109.0	114.2	52.5	79.0	108.7	68.9	103.1	127.0	103.9	56.3	102.1	100.0
1992	103.4	110.2	113.6	52.1	79.9	108.8	68.9	103.2	130.0	102.7	56.3	102.1	100.0

Source : Annexe statistique à l'economie Européenne, Nov. 1991, Services de la Commission

Note : La référence au PIB peut donner lieu à une exagération dans la mesure où les transferts de revenu vers l'étranger peuvent avoir dépassé la croissance maximale du PIB.

PERSPECTIVES FINANCIERES

CREDITS D'ENGAGEMENT (MECUS. Prix 1992)

	1992	1993	1994	1995	1996	1997
1.POLITIQUE AGRICOLE COMMUNE	35348	35340	37480	38150	38840	39600
2.ACTIONS STRUCTURELLES	18559	21270	22740	24930	27120	29300
Fonds structurels	17965	19770	20990	22930	24870	26800
Fonds de cohésion		1500	1750	2000	2250	2500
(PIM/PEDIP)	594					
3.POLITIQUES INTERNES (1)	3991	4500	5035	5610	6230	6900
4.ACTIONS EXTERIEURES	3645	4070	4540	5060	5650	6300
5.DEP. ADMIN. INSTITUTIONS	4049	3310	3465	3720	3850	4000
Personnel et fonctionnement						
- Commission	1696	1760	1825	1890	1960	2035
- Autres Institutions (2)	895	930	960	1000	1040	1070
- Pensions (toutes inst.)	249	290	325	380	400	445
Immeubles	287	330	355	450	450	450
(remboursements)	922					
6.RESERVES	1000	1500	1600	1200	1300	1400
Réserve monétaire	1000	1000	1000	500	500	500
Dépenses exceptionnelles		500	600	700	800	900
TOTAL CREDITS D'ENGAGEMENTS	66592	69990	74860	78670	82990	87500
CREDITS DE PAIEMENT NECESS.	63241	67005	71650	75110	79060	83200
CREDITS DE PAIEMENT (% PNB)	1.15%	1.19%	1.24%	1.27%	1.30%	1.34%
MARGE POUR REVISION (% PNB)	0.05%	0.03%	0.03%	0.03%	0.03%	0.03%
RESSOURCES PROPRES (% PNB)	1.20%	1.22%	1.27%	1.30%	1.33%	1.37%

(1) Montants retenus, à titre d'orientation, pour la politique RDT : 2448 2730 3040 3380 3770 4200

(2) Sous réserve de confirmation par les institutions concernées.

External aspects

Author: Mr MIRANDA DA SILVA

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1. One of the three main topics stressed by the Commission in its document COM(92) 2000 is that of external action. Such action is to be developed on the basis of existing Treaty provisions (particularly Articles 113, 228 and 235) and of the new articles 130u, v, w, x, y and Article J of Title 5 (Provisions on a Common Foreign and Security Policy) of the Treaty on European Union.

2. These actions as a whole are not at present included in the budget. The EDF, according to a declaration attached to the Treaty on European Union, will continue to be financed from 'national contributions in accordance with the current provisions'. The Commission does not rule out the possibility of its being included in the budget before 1997, which would lead to a corresponding rise in the ceiling for own resources.

3. The external actions as a whole relate to operating appropriations and administrative appropriations. For instance, administrative expenditure connected with common foreign and security policy, referred to in Article J.11 of the Treaty, is charged to the Community's budget. Moreover, the Treaty does not rule out the possibility of the incorporation in the budget of operating expenditure under this policy.

4. The diversification of the Community's mode of intervention in the external sphere reflects various aspects of the relations which the Member States and the Community have established with third countries. Consequently, political priorities have not always been determined at Community level where financial interventions are concerned; the latter have sometimes been subject to political influence.

5. This range of actions is backed by an arsenal of legal instruments. Moreover, these actions as a whole are already reflected in national budgets. The new Treaty therefore seeks to coordinate national and Community policy in this field, the aim being to avoid institutional malpractice, as in the case of aid to Bangladesh.

6. Experience gained over the last two financial years shows a kind of telescoping of the process of creating a structure for new expenditure and its inclusion in the budget. Owing to this development, which, while making the notion of planning expenditure commonplace, has also eliminated the possibility of an annual forecast, it has not always been possible to assess the individual weight of this policy relative to other policies. This is why Parliament decided to accept the funding of external action provided that the funds required were not deducted from the sums earmarked for domestic policies.

7. In the context of the financial perspectives (under the old nomenclature), any inherent expenditure fell within category 4, which also provided for the inclusion in the budget of expenditure on domestic policies. In the context

of the budgetary nomenclature, these appropriations are currently broken down among 8 major sections/chapters.

8. In its document COM(92) 2000, the Commission takes the view that priorities must be set and resources adapted and increased if this policy is to be implemented.

9. As far as priorities are concerned, the Commission's approach is based on the concept of concentric circles, starting with Central and Eastern Europe and the Commonwealth of Independent States, continuing with the Mediterranean countries and progressing, finally, to the developing countries of Latin America and Asia. To these geographical priorities it adds 'across-the-board' measures focusing on food, humanitarian and emergency aid which may be allocated - as happened recently - to any region of the world, including regions where the EDF operates.

10. Over the period 1988-1992, resources earmarked for external action increased from ECU 1200 m to more than ECU 3000 m. The Commission proposes to double the appropriations allocated for these measures by 1997, that is, it makes provision for the sum of ECU 6300 m in the new financial perspectives. It must, however, be remembered that this sum includes transferred expenditure connected with the fisheries agreements.

11. Finally, provision is made for three types of action (although the terms used vary according to the region where operations are based):

- economic, financial and technical aid;
- borrowing and lending instruments;
- food, humanitarian and emergency aid.

12. Where these three types of action are concerned, experience shows that economic, financial and technical aid measures together with borrowing and lending correspond to the aims of medium-term or even long-term macro-economic policy. The planning and budgetization of such expenditure must take into account the situation of the beneficiary country and the nature of its cooperation with the Community. The nature of aid comprising assistance and loan measures varies according to the needs of the beneficiary country. Similarly, the annual assessment of the risk associated with loan operations varies according to the type of cooperation (the risk associated with loans to the countries of Eastern Europe and the risk entailed by loans to the Mediterranean countries). Under such circumstances, the sum provided by the Commission under the 'Reserve' heading may not be sufficient to cover an actual demand on the guarantee.

13. Humanitarian and emergency aid are deployed in the event of crises and critical situations in third countries; they should not, under any circumstances, take on the character of a multiannual measure in the beneficiary country. Such an approach would lead to neglect of the structural problems afflicting these countries, which are generally the root cause of crises.

14. In view of the wide range of legal bases of Community cooperation measures and the fact that both compulsory and non-compulsory expenditure are involved, the planning of the sums proposed in category 4 must take account of the establishment of sub-ceilings. The wide-range of legal bases may also affect the concomitance of the planning of objectives and the planning of

expenditure. The financial protocols are a case in point, as there is no mechanism to ensure coherence between the political planning of the protocol and the planning of the implementation of its financial implications. Finally, the Commission document does not specify the category to which any operating expenditure associated with common foreign and security policy should be ascribed.

15. In addition to these measures which comprise the main thrust of Community policy in this field, one should also emphasize the external dimension which certain intra-Community policies may develop. For instance, there are the policies developed with the EFTA countries, with which the Community intends to set up the European Economic Area. It will be necessary to assess the impact of this cooperation in economic terms and to check whether the provisions of the Financial Regulation can control the 'presumed balance' between revenue and expenditure which such cooperation entails.

16. Mention may be made in this section of research or environment policy, or of certain aspects of social, education or vocational training policy, such as the TEMPUS or ERASMUS programmes. The Commission is careful to specify only the external dimension of research policy, advocating the inclusion of its external financial section in the budget of the framework programme.

17. Conclusions

The above remarks give rise to the following conclusions:

1. The Community's external action as a whole is still not included in the budget.

2. Such action relates to both administrative appropriations and operating appropriations.

3. The development of this two-tier policy implies an overall assessment of the financial impact, which must be sought through increased cooperation between the Community and the Member States.

4. The new breakdown of the financial perspectives allows a distinction to be drawn between the effects of domestic and external measures; however, the Commission does not specify how the administrative and operating appropriations resulting from common foreign and security policy are to be classified.

5. The doubling of expenditure under heading 4 is partly due to the inclusion of appropriations relating to fisheries agreements.

6. Owing to the presence in category 4 of compulsory and non-compulsory expenditure, together with the wide range of the legal bases for the different types of cooperation, the planning of political aims and the planning of their financial impact cannot be synchronized. This situation may also have a direct effect on the calculation of the risk associated with loan operations and the actual demand on the guarantee.

7. If external action is to be developed through domestic policies involving third countries, the provisions of the Financial Regulation must be checked to ascertain the existence of a presumed balance between revenue and expenditure which such development entails.

Internal policies

Author: Mr Georgios ZAVVOS

1. Under the Financial Perspective for the period 1988-1992 overall, the amount budgetized for internal policies as a whole (those taken into consideration are policies or actions falling within categories 1, 2, 3 and 4, as regards the internal policies part, of the Financial Perspective) was ECU 37 403m for the financial year 1988, whereas for the financial year 1992 it was ECU 57 898m.

2. These amounts show that implementing these internal policies through the budget has accounted for an increase in expenditure of the order of 54.79% over this period. The increase was calculated, inter alia, on the basis of policy decisions and constraints on certain Community policies, as in the case of agricultural expenditure or the doubling of the Structural Funds.

3. The financing of these policies was intended to comply with the principle requirements of the Treaty (progressive approximation of economic policies of the Member States, promotion of harmonious development), strengthened in some cases by the Single Act. By its very nature the programming of the expenditure entailed by the implementation of these requirements as set out in the Financial Perspective established a close link between the programming and implementation of a policy objective and the programming of its financing.

4. The programming of expenditure in the Financial Perspective, combined with budgetary management, has led to certain problems and a kind of rigidity. The Financial Perspective in effect divides the budgets up into major categories of expenditure, while the budgets take account of the distinction between compulsory and non-compulsory expenditure. It thus became apparent over this period of application of the Financial Perspective that there was no mechanism to allow for a rapid reaction whenever political imperatives called for new financing or for the financing available for policies or actions already adopted to be stepped up further.

5. Consequently, the new Financial Perspective must:

   - take into account the general framework established under the Treaty on European Union requiring discipline to be applied to public financing;

   - ensure the necessary flexibility to strengthen cohesion between the programming of policies and the programming of their financing.

6. It will thus be essential to establish:

   - whether the programming of policies and their financing has been applied to a sufficient number of policy objectives having a financial impact for the period 1993-97, so as to ensure that all Member States comply with the conditions for access to the third stage of EMU;

- and, further, if new Community policy requirements appear (effect of the principle of subsidiarity), the means by which they will be financed.

7. Internal policies or actions must help to strengthen the competitiveness of the Community economy. That strengthening will be achieved through a continuing process of catching up and economic convergence. In the market economy sector the process will also be achieved by developing new activities requiring a skilled workforce, and by creating a climate favourable to restructuring and modernization in traditional industries. The success of this operation will also depend on actions falling within the social welfare and occupational training sector.

8. The extent of this development, as it ultimately applies to structural adjustments, can be measured simply by highlighting the results of existing research into the single market. It has been established that with the arrival of the internal market, forty sectors of industry will be the most exposed at Community level. The accumulated impact of these forty sectors of industry, identified at Community level, represents an industrial added value that varies between 39.6% and 59.6% depending on country, whereas their impact in terms of industrial employment varies between 39.4% and 54.5%. The same sectors, at national level, represent an industrial added value of between 42.1% and 60.2%, whereas their impact in terms of industrial employment varies between 44.9% and 68.1%.

9. The Commission proposes an increase in expenditure for internal policies as a whole between now and 1997 of the order of 30.31% at 1992 prices. That represents an increase in volume of expenditure for these policies as a whole of the order of ECU 17 902m. The main features of the financing plan, allocated according to the new nomenclature of the Financial Perspective, between categories 1, 2 and 3, are as follows:

   - It takes into account the need to maintain the agricultural guideline, i.e. to fix by legislation a ceiling for internal expenditure at 74% of GNP growth after raising the basis of calculation for that expenditure;

   - It advocates increasing structural actions by something of the order of 58%, including budgetization of the new Cohesion Fund;

   - It calculates the financial impact of launching the new framework programme for 1994-1997 in the area of research and development together with the effects of pursuing other ancillary actions to secure Community integration having a multiannual connotation (environment, trans-European networks, training and communications actions, education and training).

10. If agricultural expenditure (Category 1), expenditure on structural actions (Category 2) and research policy expenditure (part of Category 3) are subtracted from the total amount, the overall amount to be budgetized in respect of other internal actions or policies is ECU 12 698m.

11. The breakdown of this total in the new Financial Perspective shows that from one year to the next there has been a shift in the level of contributions from the Community budget. That being so, the expenditure to be committed can only be taken as a simple guideline for several

Member States. The increase in these appropriations between 1992 and 1993 is of the order of 14.71%, whereas it will decrease over the coming years to end, in 1997, at 9.75%.

12. This volume of appropriations suggests that Community expenditure on sectors or branches of the economy most exposed to structural readjustments will not in themselves be sufficient to ensure a policy of stabilization. The Community budget in these areas will continue to represent, quantitatively speaking, a small fraction compared with the sums available in the Member State budgets. Consequently the small contribution from the Community budget highlights the need for coordination between Community public finances and national finances. This will be achieved by the establishment of an effective and operational partnership involving, inter alia, Community, national public and private agencies. Similarly, it will also be necessary at Community level to maintain rigorous management of Community finances, and to rationalize the choice of Community policies.

13. In relation to the internal ancillary policies, the Commission justifies running down the volume of expenditure in terms of a more stringent application of the subsidiarity principle. But to interpret the subsidiarity principle in this way risks creating confusion, since it can be then considered as a regulator of Community expenditure.

14. The subsidiarity principle applies to Community policies and therefore enables the distinction to be made between actions falling under Community terms of reference and those falling under the terms of reference of the Member States or the regional or local authorities in a particular socio-economic connection. Where a policy or action is classified as a Community policy or action, and it will in any case be assessed in terms of the time-scale involved, it is incumbent upon the Community to verify the nature of the Community measures to be implemented (with or without financial impact).

15. Management of this 'process', in addition to the powers of the Commission on implementing the budget, is likely to cause distortions unless the relevant policy criteria are fully stipulated in each case. As regards budgetization of expenditure, it can be noted that over the period 1988-1991, the take-up rate of appropriations available for commitments (headings 2, 3 and 4 of the Financial Perspective) was, on average, of the order of 96.2%, whereas in the case of other payment appropriations it was of the order of 90.9%. On the other hand, the Commission still has considerable autonomous powers to commit or not to commit appropriations authorized by the budgetary authority.

16. If the Commission were therefore to use its powers to implement the budget to impose and justify strict application of the subsidiarity principle, then the margin available to the budgetary authority for considering, where appropriate, when to insert new actions having a financial impact would risk being narrowed down considerably.

17. In other words, the possibility cannot be ruled out that actions submitted by the Commission would be the only ones requiring Community intervention, and that this strict interpretation of subsidiarity might paralyse any new initiative. In that situation the only option available

to the budgetary authority in seeking to meet new needs would to be to try to redeploy appropriations.

18. That being so, and in order to ensure a progressive approach when selecting Community policies which have a financial impact, steps should be taken to have appropriations budgetized subject to a cost-efficiency analysis, and to have Community legislative enactments needed for such policies assessed subject to a cost-benefit analysis. The legal basis for both approaches can be found in the new Treaty and in the Financial Regulation. Consequently, it would be appropriate to consolidate these two approaches by inserting a guarantee clause in the Inter-Institutional Agreement to prevent the assessment of the amounts proposed from being limited to a mere accountancy exercise, but rather to allow economic and social calculations to take their rightful place.

19. <u>Conclusions</u>

The following points can be made by way of summing up:

1. Financing of Community internal policies:

   (a) Must take into account the general framework laid down by the Treaty on European Union imposing a discipline on public finances and conditions for Member State access to the third stage of EMU;

   (b) Must face up to the need to strengthen cohesion between policy programming and financial programming.

2. Programming of policy objectives must take account of the subsidiarity principle assessing the socio-economic situation of the Member States; however, subsidiarity must not be understood as a regulator of Community expenditure; consequently, the validity of policy objectives adopted at Community level must be subject to an appraisal of their impact over time.

3. As regards Community expenditure, the Treaty on European Union and the Financial Regulation now in force both stipulate an appraisal of Community legislative enactments subject to a cost-benefit analysis and management of appropriations subject to a cost-efficiency analysis.

4. It has already been established that the amounts proposed for the period 1992-1997 limit the margin available to the budgetary authority for introducing new actions.

5. The new Inter-Institutional Agreement must comply with the subsidiarity principle and take due account when programming expenditure of the results of cost-benefit and cost-efficiency analyses.

Financial instruments not included in the budget

Author: Mr PASTY

Inclusion of the EDF in the budget

1. As regards the financial instruments not included in the budget, the Maastricht Treaty does not incorporate Parliament's demands, notably concerning the inclusion of borrowing and lending operations and of the EDF in the budget and the integration of the ECSC operating budget with the general budget. Nonetheless, document COM(92) 2000 does represent some progress on the budgetization of the EDF and guarantees for Community loans.

2. The Commission states that it is vital that the eighth European Development Fund be included in the Community budget from 1995 and integrated into the Community's development aid policy. The Commission does not indicate how this could be achieved, particularly as regards the ceiling for own resources: would budgetization of the EDF entail raising the proposed ceiling of 1.37% of GNP, which would seem only right and proper.

3. When negotiations begin on a new interinstitutional agreement, this problem could be put on the table immediately with the aim of reaching an understanding with the Council on full budgetization, at least from 1995.

Reserve for exceptional circumstances

4. One of the most significant innovations in the proposal for a new financial perspective is the creation of a reserve for exceptional circumstances, such as emergency aid or calls on loan guarantees in cases where debtors default.

5. This reserve, which Parliament has called for on a number of occasions, will make it easier to monitor Community lending as a whole, and the risks arising from it.

6. The reserve would total MECU 900. The procedures for releasing the reserve have still to be established and new interinstitutional agreement should include a procedure based on consensus between the two branches of the budgetary authority, which should avoid any discussion about the classification of this expenditure.

Administrative Expenditure

Author: Mr James ELLES

The Commission proposal

1. The Commission proposal for administrative expenditure under the Delors II package has three essential elements:

   - the creation of a new Category 5 which only includes administrative expenditure and therefore excludes the appropriations for destocking and refunds to Member States which are in the existing Category 5;

   - the establishment within this new category of three specific sub-headings covering:

     -- the Commission's staff and administrative expenditure;

     -- the staff and administrative expenditure of all the other institutions, including the Parliament;

     -- expenditure on buildings by all the institutions;

   - the setting of the ceiling for this category at an amount rising from 3.3 bn ECUs in 1993 to 4 bn ECUs in 1997, at 1992 prices.

Critique of the proposal

2. Three particular aspects of this proposal merit critical comment:

- first, the Commission takes for granted that administrative expenditure should be separated from all other kinds of expenditure. This appears sensible enough but it should be recalled that the recent revision of the financial perspective included an increase in the proposed level of appropriations for the Commission which was achieved by reducing the amount for destocking. If the provision for destocking had been exhausted it would have been necessary to seek an overall increase in the level of category 5 which would certainly have been more difficult to negotiate.

  This is not to argue for the maintenance of the status quo but rather to underline the need for a system which guarantees a degree of flexibility over the lifetime of the perspective. In this context one can note that in its report on the application of the interinstitutional agreement the Commission does suggest that a new agreement could include the possibility of lowering the ceiling of one heading to offset the raising of the ceiling of another.

- second, the Commission is proposing to create a separate sub-heading to provide for its own needs and thereby to insulate itself from competition with the requests of the other institutions. This implies a lack of confidence on the Commission's part in the willingness of the budgetary authority in particular to take its requests seriously and has to be considered unacceptable. It gives the impression that the Commission wants to reserve for itself a disproportionate share of administrative expenditure as compared with the other institutions.

This impression is strengthened by the information provided in COM(92) 2001 where the percentage available for the other institutions, as compared with the figure for all the institutions (excluding buildings) is anticipated to drop form 31.2% in 1993 to 30.1% in 1997. By comparison, one can note that between 1988 and 1992 the share of the budgets of the other institutions varied between 34.2% and 36.5% of the total of administrative expenditure (including buildings). On this basis, the other institutions are right to have objected about the way in which the figures for themselves, as well as the Commission, were fixed without any consultation of any kind. Moreover, the Commission appears to have ignored the additional administrative expenditure which will arise in the next few years as a result of the creation of new bodies, such as the Committee on the Regions.

- third, the table at the end of document COM(92) 2000 gives a misleading impression of the overall volume of appropriations available for this category. In addition to setting the figure for 1997 at 4 bn ECUs, the table gives as the equivalent figures for 1987 and 1992, 5.9 and 4 bn ECUs respectively. This ignores the fact that for both of these years the figures cited contain elements other than administrative expenditure. In 1992, for example, the level administrative expenditure is less than 3 bn ECUs and it is only possible to reach 4 bn ECUs by including the amounts for destocking and refunds to Member States. In other words, like is not compared with like.

Proposals

3. On the basis of the above remarks the following conclusions can be put forward:

a) that in principle the creation of a separate category for administrative expenditure would seem appropriate;

b) that within the new category 5 the case has yet to be made for there to be any sub-headings:

c) that all institutions should be invited, as they were when the Financial Perspective for 1988 to 1992 was agreed, to produce, at the earliest opportunity, and in any case before the first reading of the 1993 budget in the Parliament, a five-year plan of their projected expenditure needs for the period up to 1997, only on the basis of this information should the final figures for Category 5 be laid down;

d) that given the changing conditions both inside and outside the Community, there should be built into the agreement a review clause which would allow the new Parliament elected in 1994, on the basis of a proposal of the Commission appointed in January 1995, to revise with the Council the figures in the perspective for a further five years.

One can note that the Commission itself goes some way towards accepting such a clause in that it suggests that the new interinstitutional agreement should provide for the Commission to be able to propose a new five-year framework from the third year of its application.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy
for the Temporary Committee "Delors II package"

Draftsman: Mr Karl von WOGAU

At its meeting of 18 March 1992, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Karl von WOGAU draftsman.

At its meetings of 27-28 February 1992, 17-18 March 1992 and 23-25 March 1992 it considered the draft opinion.

At the last meeting it adopted the conclusions as a whole unanimously.

The following took part in the vote: PATTERSON, acting chairman; BEUMER, (chairman); DESMOND, FUCHS, vice-chairmen; von WOGAU, rapporteur; BARTON, BOFILL ABEILHE, BRAUN-MOSER (for FRIDEDRICH), de la CAMARA, CASSIDY (for Peter BEAZLEY), COLOM I NAVAL (for CAUDRON), de VRIES (for COX), GALLENZI (for SBOARINA), GANGOITI LLAGUNO, HARRISON, HERMAN, Christopher JACKSON, LEMMER (for MERZ), METTEN, NIELSEN, PETER (for WETTIG), RANDZIO-PLATH, READ, RIBEIRO, RISKÆR PEDERSEN, ROUMELIOTIS, THYSSEN and ZAVVOS (for PIERROS).

Introduction

The Maastricht Treaty on European Union contains in principle two unions: political and economic and monetary. Apart from the institutional aspects of the political union, the remaining aspects[1] have a direct bearing on stage two and three of EMU and, in particular, on the process of convergence, a prerequisite for the passage to third stage of EMU.

The Treaty sets four criteria upon which one could assess the high degree of sustainable convergence:

1) an average rate of inflation (consumer price index), over a period of one year before the examination, should not exceed that of, at the most, the three best performing Member States by more 1.5% points,
2) no excessive budget deficit,
3) respect of the normal fluctuation margins of ERM for at least two years without severe tensions and without devaluing against any other Member State currency,
4) an average nominal long-term interest rate that does not exceed that of at most the three best performing Member States by more than 2% points.[2]

Secondary criteria such as integration of markets, balance of payments on current account, unit labour costs, etc. would be taken into account in the reports of the Commission and of the EMI, to be submitted to the Council.[3]

The success of the European Union, therefore, depends on the degree of convergence to be achieved until 1997 or on 1 January 1999 at the latest.

Essence of Convergence

The two definitions referred to in the EMU Treaty are nominal and real. The four criteria for the passage to third stage define "nominal convergence" while "real convergence" is defined by factors such as per capita income or quality of life, indices that affect the standard of living.

Two economic indicators have been used for measuring real convergence: GDP per capita in PPS (purchasing power standards) and unemployment rates.[4] Among the 12 Member States, three countries (B, D, I) have more or less retained their initial positions which are above the average Community level. Six countries (DK, E, IRL, L, P and UK) have increased their per capita index.

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1 These aspects are: common commercial policy (art. 100 to 116); social policy (art. 117 to 125); education, vocational training and youth (art. 126 to 127); culture (art. 128); public health (art. 129); consumer protection (art. 129a); trans-European networks (art. 129b to 129d); industry (art. 130); economic and social cohesion (art. 130a to 130e); research and technological development (art. 130f to 130p); environment (art. 130r to 130t) and development cooperation (art. 103u to 130y).

2 See Table 1 for the evolution of these indicators.

3 See Table 2 for the development of such indicators.

4 See Table 3 for the evolution of these two indicators.

Three countries (GR, F and NL) have experienced deterioration in relative terms in average living standards, with one country (GR) reaching a critical level almost half of Community's average.

Role of nominal convergence

The Delors II package coincides with the second stage of EMU meaning that we shall still have a multi- currency regime, with semi-fixed exchange rates. Hence, the degree of exchange rate stability would depend on the combined effect of the economic performance of the various countries and their relative price trends.

Monetary stability plays a significant role in the convergence process. The benefits of stable prices are many.[5] An anticipated inflation of 10% would lead to direct welfare loss of the order of magnitude about, 0.3% of GDP due to direct transaction costs and savings. The experience of industrialized countries in 1970s and 1980s suggests that, on average, high inflation countries have had a higher unemployment rate and a lower per capita income.

A stable and credible monetary regime could also be efficient to deal with the "sources" of inflation. In such a context, budgetary and monetary policy as well as the formation of savings become important factors of convergence.

Industry and competition

There is a strong correlation between low income and low competitiveness.[6] The unfavourable competitive conditions are: obsolete infrastructures, unskilled work force, unfavourable tax conditions, lack of complementary services, low capacity for innovation and inefficient use of transfers.

These are the factors which, according to Delors II package, ought to be dealt with efficiently. This would mean a concerted effort to improve the competitiveness of lagged-behind countries. To this effect, the Delors II package proposes an additional ECU 20 billion (in 1992 ECU 66.5 billion while in 1997, ECU 87.5 billion) intended to "... boost competitiveness, strengthen economic and social cohesion and expand external actions" (p. 4).

Those additional ECU 20 billion would be allocated in such a way that ECU 11 bn would be spent to strengthen Economic and Social cohesion, another ECU 3,5 bn to improve competitiveness of lagged behind Member States, some ECU 3,5 bn for increased external action and ECU 2 bn for other expenditure.

These additional ECU 20 billion, which are one of many other measures of the budget already in existence, could be successful if three other conditions are met: setting the Community priorities right for the allocation of funds, strict budgetary discipline and a fair distribution of the financial burden.

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5 See Commission study on "One Market, one money", European Economy, No. 44, October 1990.

6 See 4th periodic Report on the Social and Economic Situation and Development of the Regions of the Community (COM(90) 609 final).

A project that could meet these conditions are the Trans-European networks stated in Articles 129b to 129d of the Maastricht Treaty which are about infrastructures in the areas of transport, telecommunications and energy[7,8].

These funds should be allocated in order to improve competitiveness and, through it, convergence. In such a context, the industrial policy as stated in Article 130 of the Maastricht Treaty could be a significant factor. The Commission proposal has arrived at a worrying conclusion: "... to increase its per capita income from 50% to 70% of the Community average, a region must achieve a growth rate of nearly two percentage points above that of the Community as a whole every year for 20 years"[9]. For this to occur, it requires a stable macroeconomic framework geared to growth and stabilisation.

The needs and shortcomings of a Community industrial policy become clearer when one compares the Community's research and development funding, which does not exceed 2.1% of its GNP, with that of Japan which has risen to 3.5% of her GNP while expenditure in the USA has remained at 2.8% of its GNP.

Yet the framework set by the Maastricht Treaty on industrial policy should be complemented. The efficiency of a policy requires that for each industrial project, a feasibility study adhering to specific criteria is necessary. These criteria could be: profitability based on the method of internal rate of return, job creation, economic impact on the environment and growth, equity distribution and embodied technology.

The 3.5 billion ECUs to be devoted to promoting industry's adaptation could be supplemented by other bits of the budget redirected towards industry. Some of the social fund will be spent on retraining workers in declining industries. Some of the research budget could be moved closer to the needs of firms. Money for Infrastructure or feasibility studies under the ERDF would improve industrial productivity.

<u>External Aspects</u>

The re-emergence of democracy and the birth of new states in central and eastern Europe have changed established trade links with the Community. For the last three years, the size of European market has been reduced but the prospects for expanding the markets of these new states depends on the approach the Community will pursue.

In principle, the creation of new markets could be fostered if stability coupled with economic growth are secured. The Community will have to play an important role in opening up these markets, in coordination with the international organisations such as IMF, World Bank, and European Bank for Reconstruction and Development, in order to facilitate investment.

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7 See the SISO CRUELLAS report (PE 152.354/fin.) on the importance, priority objectives and financial implications of Trans-European Networks.

8 "The resources devoted to basic economic infrastructure in the richest 10% of regions are nearly three times as high as in the poorest 10% of regions. Differences are at least as wide in training and qualifications" (COM(92) 2001 fin. p. 12-13).

9 (COM(92) 2001 fin. p. 13).

To help meet the above task, the following actions could be pursued. First, the technical and economic assistance under the PHARE should be enlarged and supplemented by backing for structural adjustment. Second, financial protocols should be concluded, entailing EIB loans with interest-rate subsidies, credit insurance, etc.

Conclusions

The Committee on Economic and Monetary Affairs and Industrial Policy calls on the Temporary Committee 'Delors II package to take account of the following conclusions:

1. Recalls that the Maastricht Treaty will only have its full impact if the level of economic and social cohesion will be reinforced and the existing differences between the Member States in this regard as well as in regard to their convergence will be systematically reduced. Regrets that the Maastricht Treaty gives insufficient competence to the European Parliament in the field of economic and monetary policy;

2. Although fully endorses the important undertakings to establish cohesion and strengthen structural funds, the Parliament stresses the importance of continuing budget controls and constant review of existing allocation of resources;

3. Believes that the plans for convergence which the Member States must develop to fulfil the requirements approved in Maastricht for the beginning of the third phase will imply the adoption of rigorous budgetary policies, which may have adverse economic and social effects. Given that cohesion will not be possible without convergence and not only nominal but, more importantly, real convergence, it would be advisable to approve the Delors II package as soon as possible in the terms and quantities adequate to make EMU a reality;

4. Believes that the funds proposed by the Delors II package for the purpose of enabling some Member States in their adjustment process, should not act as a mechanical allocation of funds but should form part of a convergence programme leading to a favourable economic environment as well as to an upgrading of environmental and social standards, necessary for the catching up process in a sustainable way;

5. Recalls that the Cohesion fund will not only benefit the recipient countries, but also, through the exchange it will encourage, all the countries of the European Community;

6. Stresses the fact that the Cohesion fund acting as an instrument of Community action should be justified in terms of greater cost-effectiveness that would strengthen the economic activity wherever applied and would depend on the quality of investment programmes, primarily the responsibility of the Member States concerned;

7. Is, nevertheless, of the view that monetary stability is a determinant factor for convergence, and that the per capita income gap today also reflects the monetary instability of the countries which for the last decade have had an inflation rate two or three times above the Community average;

8. Asks for an industrial policy of the Community integrating the environmental dimension that provides a fair and competitive economic framework with common rules in the internal market, such as common standards for manufacturing products, an active competition policy and takes into account the demands of those spheres of economy especially important for the peripheral countries. Considers that this policy should also favour the development of research at Community level and, where necessary, provide industry with economic incentives it may need to deal with outside competition. The principle of subsidiarity has also to be applied to strengthen research policy of the Community by concentrating on projects of European dimension;

9. Considers that strengthening the competitiveness of European industry calls for an increase in financial resources to back initiatives for:

   - development of the Community's technological capacity (flexible manufacturing systems, information, new materials, biotechnology),
   - a dynamic policy for SMUs (ability to adapt to new market trends, cooperations),
   - better use of human resources (vocational training facilitating the introduction of new technologies and redeployment),
   - development of services to undertakings,
   - better circulation of results of research;

10. Believes that Community actions within the framework of Delors II package supplemented by existing Community funds and measures, must be clearly justified in terms of greater economic impact and the subsidiarity criteria;

11. Recalls that the collapse of the economies of Central and Eastern Europe during their transition to a market economy demands concrete support from the Community through the fostering of economic cooperation, the liberalisation of trade exchange and the creation of the necessary preconditions for a functioning market economy. The Community should take steps to improve the investment environment of these countries in order to foster investment.

Evolution of "key convergence indicators", 1989 - 1991 (*)
Preliminary version

	Gross public debt (a) (% of GDP)			Net lending (+) or borrowing (-) (b) (% of GDP)			Inflation (c) (% change p.a.)			Nominal long-term interest rates			Situation in EMS (d)
	1989	1990	1991	1989	1990	1991	1989	1990	1991	1989	1990	1991	1991
B	128.4	127.3	129.4	-6.7	-5.7	-6.4	3.5	3.5	3.2	8.7	10.1	9.3	A
DK	65.6	66.4	66.7	-0.5	-1.5	-1.7	5.1	2.5	2.4	10.2	11.0	10.1	A
D (**)	43.0	43.6	46.2	0.2	-1.9	-3.2	3.1	2.6	3.5	7.0	8.9	8.6	A
GR	85.8	93.7	96.4	-18.3	-20.4	-17.9	14.7	20.2	18.3	17.1	20.1	21.0	C
E	44.2	44.5	45.6	-2.7	-4.0	-3.9	6.6	6.4	5.8	13.8	14.7	12.4	B
F	47.4	46.6	47.2	-1.2	-1.7	-1.5	3.5	2.9	3.0	8.8	9.9	9.0	A
IRL	110.1	103.0	102.8	-3.5	-3.6	-4.1	3.9	2.6	3.0	9.0	10.1	9.2	A
I	96.0	98.6	101.2	-10.1	-10.7	-9.9	5.8	6.2	6.4	12.9	13.4	12.9	A
L	8.5	7.3	6.9	4.3	4.8	2.0	3.4	4.2	3.4	7.7	8.6	8.2	A
NL	77.9	78.3	78.4	-5.2	-5.3	-4.4	2.9	2.5	3.2	7.2	9.0	8.9	A
P	72.0	68.2	64.7	-3.4	-5.8	-5.4	12.8	13.6	11.7	14.9	16.8	17.1	C
UK	45.1	42.8	43.8	1.2	-0.7	-1.9	5.9	8.4	6.5	9.6	11.1	9.9	B
EUR12	60.3	60.3	61.8	-2.9	-4.1	-4.3	4.9	5.2	5.0	9.9	11.1	10.4	

(a) General government, except B and NL: excluding social security; P: central government. For DK and NL, capitalized pension funds have not been consolidated with public debt; if consolidated, the debt-GDP ratio would be lower, and well below 60% in the case of DK.
(b) General government.
(c) Price deflator of private consumption.
(d) A) Member States with 2.25% fluctuation margins; B) Member States with 6% fluctuation margins; C) Not participants in ERM.
(*) Economic forecasts, Autumn 1991.
(**) West Germany only.
Sources: Commission services, Le Monde of 5.12.1991 and To Vima of 8.12.1991.

Other indices of convergence

	Respect of "Golden rule" (a) (% of GDP)			Current balance (in Mrd ECU)			Real unit labour costs (b)			Unemployment rates in %		
	1989	1990	1991	1989	1990	1991	1989	1990	1991	1989	1990	1991
B	-5.1	-4.1	-4.8	2.9	-	1.0	88.4	88.9	89.3	8.5	7.7	1.0
DK	1.6	0.5	0.3	-0.8	1.2	1.4	90.7	89.5	88.4	7.7	8.2	1.4
D (*)	2.5	0.4	-0.8	50.3	37.7	-1.1	91.0	90.1	91.2	5.5	5.1	1.1
GR	-14.9	-17.3	-14.8	-2.3	-2.9	-4.1	102.9	105.1	100.3	7.5	7.1	-4.1
E	1.6	0.9	1.3	-9.9	-13.5	-3.1	84.8	84.3	83.6	17.1	16.1	-3.1
F	2.1	1.7	1.9	-4.2	-6.6	-0.7	90.1	90.5	91.1	9.4	9.1	-0.7
IRL	-1.6	-1.7	-2.2	0.5	1.1	2.3	83.0	85.0	87.7	16.0	15.6	2.3
I	-6.5	-7.2	-6.5	-9.5	-11.7	-1.3	96.7	98.4	98.9	10.7	9.8	-1.3
L	10.0	10.7	8.1	(c)	-	28.1	91.4	95.6	96.0	1.8	1.7	28.1
NL	-2.8	-3.0	-2.1	7.0	8.2	4.1	87.4	86.5	86.3	8.7	8.1	4.1
P	-0.3	-2.8	-2.5	-0.5	-0.1	-1.5	82.5	82.2	84.7	4.8	4.6	-1.1
UK	3.0	1.6	0.1	-29.7	-19.7	-1.4	97.9	100.1	101.3	7.1	7.1	-1.1
EUR12	-0.1	-1.1	-1.4	3.9	-2.2	-0.8	92.3	92.8	93.3	8.9	8.5	-0.8

(a) "Golden rule" defined as not allowing general government net borrowing to exceed general government gross capital formation. Its respect is signalled by a positive sign.
(b) Real unit labour costs: unit labour costs deflated by the GDP price deflator.
(c) Included in Belgium.
(*) West Germany only
Sources: Commission services and Eurostat, Short-term Economic Indicators, October 1991 and European Economy, No. 50.

Table 3

Economic Indicators used as a proxy for Cohesion

	Per Capita GDP (PPS)				Unemployment Rates			
	1981	1985	1989	1992	1981	1985	1989	1992
B	103,2	101,6	101,3	103,4	9,5	11,6	8,5	8,6
DK	107,2	115,8	108,8	110,2	8,3	7,2	7,7	9,0
D	113,8	114,2	111,7	113,6	3,9	7,1	5,5	5,0
GR	57,8	56,7	54,1	52,1	4,0	7,8	7,5	9,3
E	73,4	72,5	76,9	79,9	14,4	21,8	17,1	15,5
F	112,6	110,6	108,6	108,8	7,3	10,2	9,4	10,1
IRL	65,4	65,2	67,0	68,9	10,8	18,2	16,0	18,1
I	103,5	103,1	103,6	103,2	7,4	9,4	10,7	9,5
L	117,1	122,4	129,7	130,0	2,4	2,9	1,8	1,6
NL	109,7	107,0	102,2	102,7	8,9	10,5	8,7	7,7
P	55,6	52,0	54,9	56,3	7,3	8,8	4,8	4,2
UK	100,0	104,2	106,9	102,1	8,9	11,4	7,0	9,8
EUR12	100,0	100,0	100,0	100,0	7,7	10,8	8,9	9,1
USA	153,6	156,1	153,7	146,8	7,6	7,2	5,3	6,9
J	104,3	111,2	115,4	124,3	2,2	2,6	2,3	2,2

Source: European Economy, Strengthening growth and improving convergence, No. 50 (special edition)

Table 4

Price deflator gross domestic product at market prices

	1971-80	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1981-90	1991	1992
B	7,1	4,7	7,1	5,6	5,2	6,1	3,7	2,3	1,7	4,6	3,0	4,4	3,1	3,6
DK	9,7	10,1	10,6	7,6	5,7	4,3	4,6	4,7	4,5	4,3	2,3	5,8	1,9	2,2
D	5,3	4,0	4,4	3,3	2,0	2,2	3,1	2,0	1,6	2,6	3,4	2,8	4,3	4,5
GR	13,7	19,8	25,1	19,1	20,3	17,7	17,4	13,8	15,7	14,0	18,2	18,1	20,0	13,3
E	15,2	12,0	13,8	11,6	10,9	8,5	11,1	5,9	5,6	6,9	7,3	9,3	6,6	5,8
F	9,9	11,4	12,0	9,6	7,3	5,8	5,3	2,9	3,3	3,6	2,7	6,3	3,1	2,9
IRL	13,8	17,4	15,2	10,7	6,4	5,2	6,3	2,5	3,2	5,1	1,6	7,2	2,1	3,1
I	14,8	18,6	17,1	14,9	11,4	8,9	7,7	5,9	6,2	6,3	7,5	10,4	7,2	5,2
L	6,5	7,2	10,8	6,8	4,4	3,0	4,4	-0,2	2,0	5,1	3,7	4,7	3,3	3,5
NL	7,6	5,5	6,1	1,9	1,9	1,8	0,5	-0,4	1,7	1,5	2,8	2,3	3,6	2,7
P	16,1	17,6	20,7	24,6	24,7	21,7	20,5	11,2	11,6	12,8	15,0	17,9	14,6	11,4
UK	14,0	11,4	7,6	5,2	4,6	5,7	3,6	5,0	6,7	6,9	8,4	6,5	6,5	4,8
EUR12	11,0	10,9	10,6	8,5	6,8	6,1	5,6	4,1	4,6	5,1	5,7	6,8	5,5	4,6
USA	7,4	9,5	6,4	3,3	3,6	2,7	2,1	3,0	3,3	3,8	4,1	4,2	4,1	4,0
J	7,6	3,2	1,9	0,8	1,2	1,4	1,8	-0,3	0,6	1,5	1,9	1,4	1,8	2,0

Source: European Economy, Strengthening growth and improving convergence, No. 50 (special edition).

<u>O P I N I O N</u>

(Rule 120 of the Rules of Procedure)

of the Committee on Energy, Research and Technology
for the Temporary Committee "From the Single Act to Maastricht and Beyond"

on the Delors II Package

Draftsman: Mr Gordon ADAM

At its meeting of 29-30 January 1992 the Committee on Energy, Research and Technology appointed Mr Gordon ADAM draftsman.

At its meetings of 19-21 February, 27-28 February, 16-17 March and 6 April 1992 it considered the draft opinion.

At the last meeting it adopted the conclusions as a whole unanimously.

The following took part in the vote: Mr DESAMA, chairman; Mr SAMLAND, (for the draftsman Mr ADAM), Mr BETTINI, Mrs GOEDMAKERS (for FORD), Mr HERVE, Mr LINKOHR, Mr POMPIDOU, Mr SCHLEE and Mr VERWAERDE.

I INTRODUCTION

1. The purpose of this Opinion is to review the recent and current levels of Community expenditure in the areas of energy and RTD and consider future funding levels in the light of the Delors II Package put forward by the Commission[1], which could lead to a renewal of the Interinstitutional Agreement and Financial Perspective for the period 1993-1997.
The proposals are also intended to keep good lines of demarcation between Parliament's Committees, while at the same time intensifying cooperation

II RESEARCH AND TECHNOLOGICAL DEVELOPMENT

II.1 Strategic Objectives

2. In the working document by the Committee on Energy, Research and Technology prepared for the 1990 Budget, the following strategic objectives were adopted and retained in the Budget Opinion[2]

a) Amounts deemed necessary should not be taken as ceilings and be more liberally interpreted both as regards the Framework Programme and particularly as regards the research action programmes. Parliament will have to accept the limits laid down in the Financial Perspectives but seek more imaginative use of the provisions of paragraph 12 of the Interinstitutional Agreement. This provides for the revision of the financial perspectives and should be the means whereby money saved in other sectors (particularly agriculture) could be transferred to other objectives e.g. Category 4 (Other policies);

b) 6% of the total Community budget for research and technological development remains the Committee on Energy, Research and Technology's long term aim, which could realistically be achieved by the end of the next set of Financial Perspectives i.e. 1997;

c) All Community research should be brought together under the Framework Programme, and under the Committee on Energy, Research and Technology in the European Parliament;

d) The inclusion of all multiannual programmes, energy and research, in Category 3 of the Financial Perspectives;

e) The acceptance of the Framework Programme and perhaps multiannual programmes generally as being part of the Structural activity of the Community, similar to the Regional and Social Funds;

These strategic objectives are still, in large part, outstanding.

II.2 The rationale for Community expenditure on R&D

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[1] COM (92) 2000 of 11 February 1992
[2] Doc A3-57/89/Part D

4. In the preparation of the 1992 Budget, the Committee set out clearly in its Budget Opinion[3] the rationale for Community spending on RTD and the danger of a continuation of the tendency of decreased spending by the Member States. The starting point for Parliament is that Community expenditure on R & D is currently at a sub-critical level. Parliament, in its policy objective statements, has long set a target of 6% of the Community budget for research and development, endorsing a figure originally proposed by the European Council in Milan in 1985. This target figure is all the more important given that the Member States national expenditure on R&D is, at best, remaining static, and in most cases is decreasing. (See Table I annexed).

5. Other factors which must be borne in mind are:
-the decline of defence and military-linked R&D in a changed geo-political situation, and
-the intensification of US and Japanese efforts to improve their competitivity through research and technological development.
-the consequences of the European Economic Area agreement in the RTD sector

6. Parliament has in the past insisted on a full utilisation of available funds for research and technological development under Category 3 (multi-annual programmes) of the Financial Perspective. In the period of the Inter-Institutional Agreement to date (1988-1992), this goal has been substantially achieved[4], thanks to Parliament's efforts. Parliament's position in this respect was underpinned by Community principles of general application, including especially:

-Article 130f of the Treaty, which stipulates that the Community must support R&D to strengthen the scientific and technical base of Community industry and encourage its international competitiveness;

-the economic justification: R&D is an important prerequisite for technological innovation, a key element of competitivity. Economic research has demonstrated that technological progress is a major component in the growth of economies and industries;

-the contribution of research and technological development (RTD), in tandem with related Structural Fund actions, to the social and economic cohesion of the Community. It should be recalled that the technological gap between the core and peripheral regions is a factor of 3 to 10 times greater than the economic gap[5];

-budgetary principles: Parliament could not accept that 'amounts deemed necessary', which are indicative, could be interpreted as expenditure ceilings

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3 A3-0270/91/Part D

4 See page 31 of the Report presented by the Commission under Article 19 on the 'Application of the Inter-Institutional Agreement of 29 June 1988 on Budgetary Discipline and Improvement of Budgetary Procedure: Proposals for Renewal'.

5 Final report to the Commission on Science and Technology for Regional Innovation and Development in Europe (STRIDE)- November 1987.

-Article 17 of the Inter-Institutional Agreement;

7. The pattern of budgetisation in the period of the first Inter-Institutional Agreement for Category 3 (see Table 2 annexed) indicates that a continuation in the form of a new Financial Perspective with a category reserved for multi-annual programmes, would help to maintain the momentum in Community financing of R&D.

II.3 Basic components of a new Strategy for Community R&D activity

8. Research and Technological Development is a necessary component of competitivity. It is also an important contributor to economic cohesion, and must be boosted throughout the Community, if we are going to meeet the convergence objectives set out in the Maastricht Treaty. Unless the Financial Perspectives are adequate, Community objectives in these respects will not be attained.

9. Your draftsman considers therefore that the Community's research effort should comprise three basic and important elements:

   (i) continuation of the '**traditional** ' RTD activity carried out under the current Framework Programmes, which should be reinforced, with a reorientation to develop dissemination and exploitation activities, and reach a level of funding at 6% of the total Community Budget. This target could better be defined as 15% of the non-agricultural expenditure in the Budget. Future Framework Programmes, starting with the Fourth Framework Programme should also contain accompanying and pilot demonstration actions, which could lead to the development of an industrial policy. Funding under this heading should be a third of the size of the 'traditional ' activity, i.e. 2% of the Community Budget.

   (ii) development of R&D as a tool for **cohesion**. This second element should be a part of the Structural Funds, building on the experience gained in the STRIDE programme. 25% of the Structural Funds should be linked to education, training and R&D convergence.

   (iii) **external** policy. This volet, which covers all external policy, could develop the COPERNICUS, GREEN and EAST actions to become a kind of external STRIDE programme for Technology Transfer, mainly to Eastern Europe. As the transfer networks are set up, funds for this activity could rise over the five-year period of the next Financial Perspective to reach 20% of the Community's external spending.

II.4 The means necessary

10. The new Treaty dispositions agreed at Maastricht imply that a fixed financial ceiling will be set for the Framework Programme. This will eliminate, as the Council no doubt intended, budget disputes arising out of inconsistencies between legislative decisions on amounts deemed necessary and amounts in the Financial Perspective. The Commission's proposal to put research in the category 'Internal Policies of a horizontal nature', with what were previously 'Other Policies' in the former Category 4, with a footnote on indicative amounts is not justifiable on these grounds[6]. The reasoning behind the current situation, a separate category, i.e. the need for a predictable but flexible pattern of expenditure over a number of years to cover multi-annual, rolling programmes, is still valid. The strict annuality of the budget can only be reconciled with the concept of multi-annual programmes if there are flexibility mechanisms such as Article 11 of the current Inter-Institutional Agreement. The result of the Commission's proposal, over and above the down-grading of research as a priority for the Community that it implies, would be a significant drop in the rate and effectiveness of utilisation of appropriations for R&D.

11. Furthermore, the setting of a maximum amount for the Framework Programme is not acceptable, unless there is a built-in mechanism to adjust this amount to keep pace with inflation. Such revisions are envisaged for the Financial Perspective itself. If it is not done for the Framework Programme the appropriations for R&D will be eroded over the life of the Financial Perspective and decline in real terms.

12. The dispositions of the Financial Regulation will need to be revised (a) to take account of the financial and revenue consequences of the EEA agreement, and (b) to provide a better definition of 'cost-effectiveness', which has recently been used abusively by the Commission to disguise politically-motivated budgetary decisions.

III **ENERGY**

13. The energy budget, in contrast to the past development of the R&D budget has been penalised throughout the period of the current Inter-Institutional Agreement by being included in the hold-all Category 4 for "Other Policies".

14. Energy is composed of a number of sectors which will develop further in the 1993-1997 period viz.

-internal and rational energy use policies
-external policy, including the Energy Charter
-nuclear safeguards.
This corresponds to category B in Annex I.

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[6] See 'The Community's Finances between now and 1997', page 27: "It would seem neither necessary nor useful to establish a specific sub-heading for this category of expenditure (research) in the new financial perspective."

15. The principal energy section, THERMIE, will, following the Maastricht agreement be likely to be included in the same category as RTD as indeed envisaged in the Committee on Energy, Research and Technology working document. If this is the case, adequate financial provision will need to be made, and it cannot be a pretext for reducing research expenditure. This corresponds to category A in Annex I.

IV CONCLUSIONS

16. Your draftsman considers that:

(i)the top priority for the Parliament should be the economic and social cohesion and the economic convergence of the Community;

(ii)the role that Research and Technological Development must play in achieving cohesion and convergence is vital and must be strengthened, this strengthening being consistent with maintaining high quality standards;

(iii)respecting the spirit of the Maastricht Treaty, an integrated approach is proposed for RTD covering each Treaty sector, including the ear-marking of funds for RTD in these sectors;

(iv)it is desirable to have a new Inter-Institutional Agreement for 1993-1997 with a separate category for RTD and demonstration activities, including energy demonstration;

(v)'traditional' expenditure of RTD (excluding demonstration) should reach a target by 1997 of 6% of the total budget or 15% of non-agricultural expenditure or 0.0822 % of GNP;

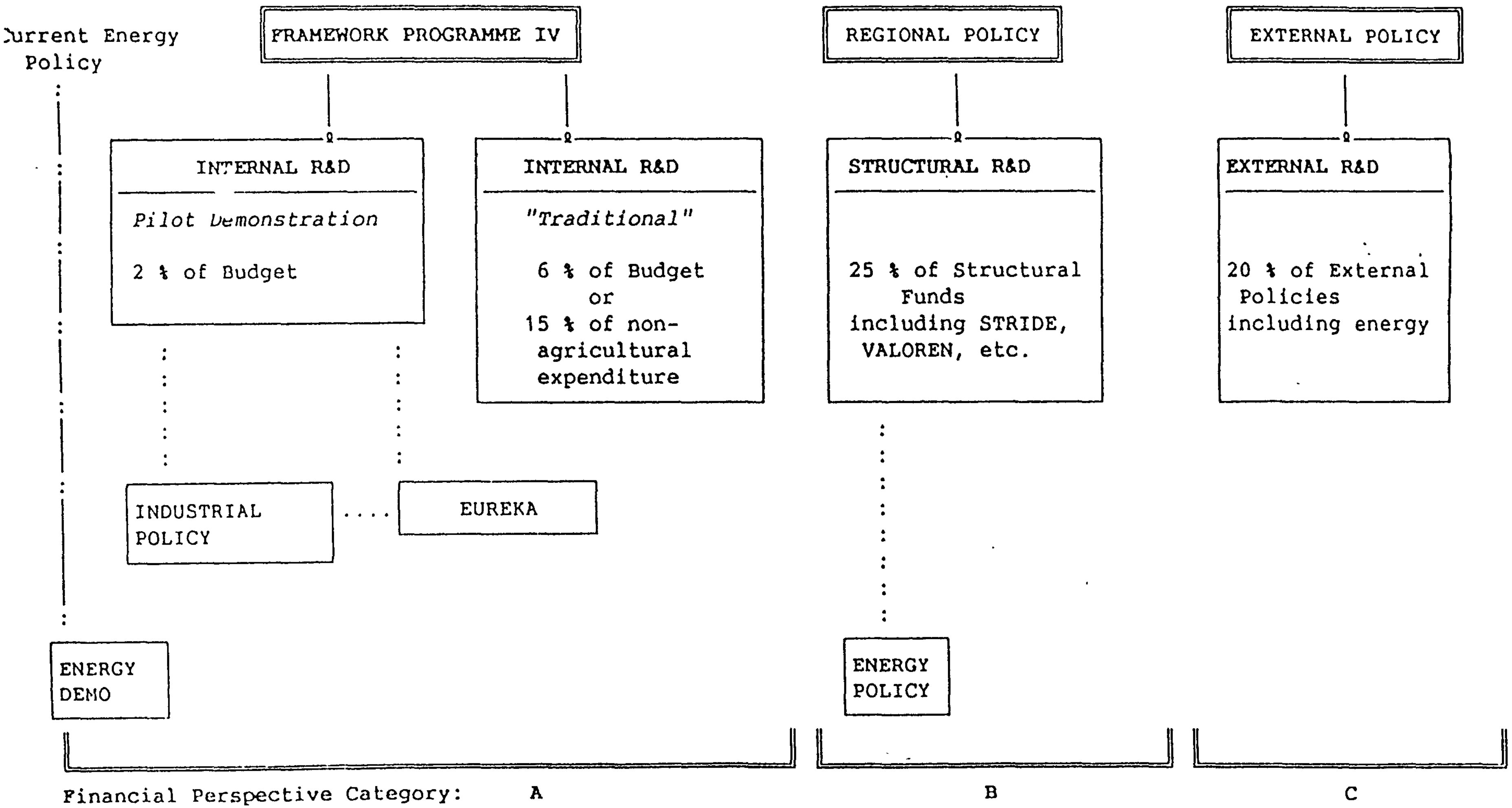
(vi)energy policy should be included in the Financial Perspective category for Internal Policies;

(vii)annual adaptation of the ceilings for the Financial Perspective and the Framework Programme should be ensured;

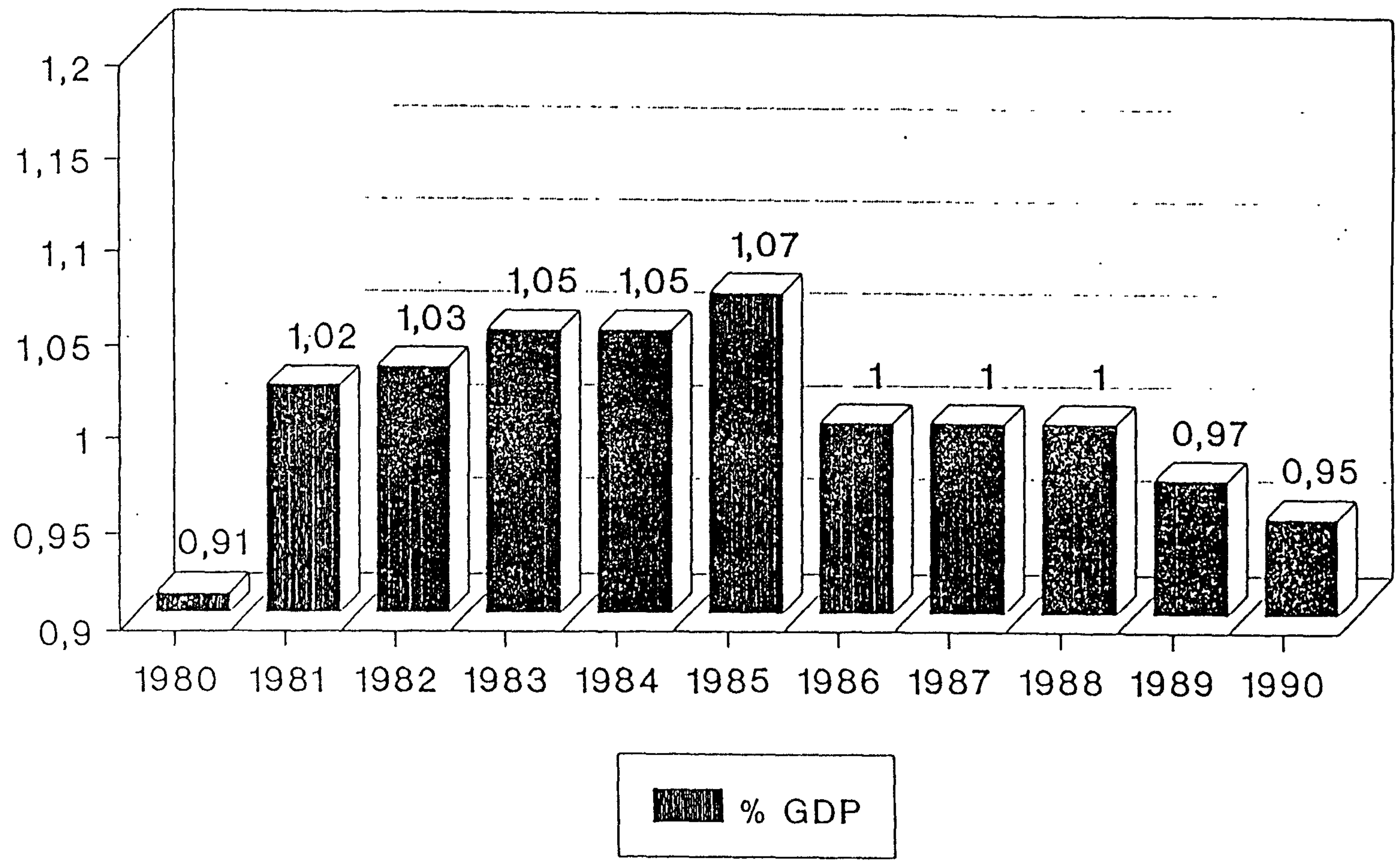
(viii)an understanding should be reached on the use of the Financial Regulation, involving if necessary a limited revision, to ensure greater flexibility and more efficient procedures in the management of appropriations.

ANNEXE I

A STRATEGY FOR RTD POLICY



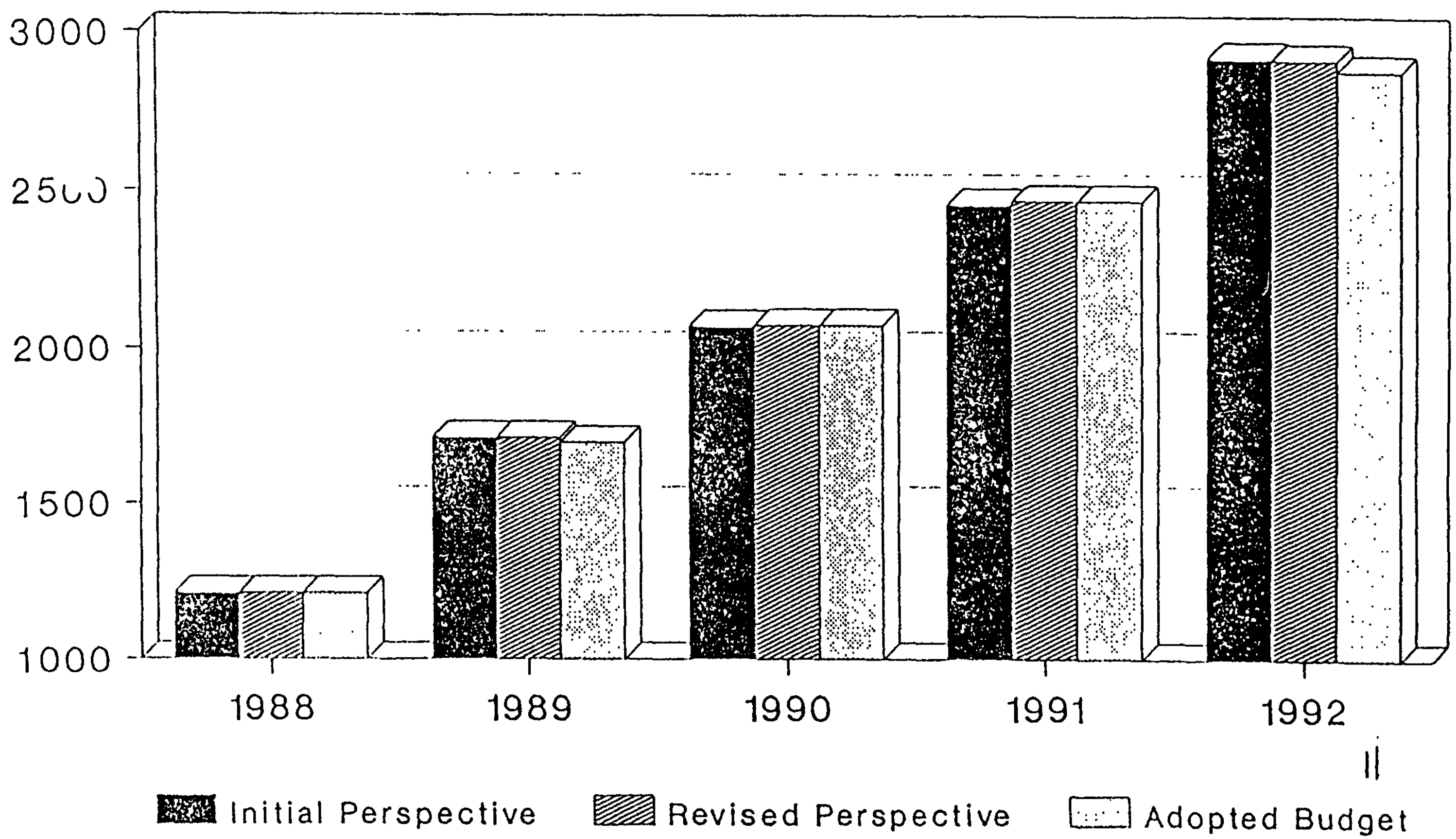
R&D FINANCING IN CONTEXT
Total all Member States



Based on EUROSTAT survey

TABLEAU 1

CATEGORY 3 UTILISATION
1988 to 1992



CA, mECU, Current prices

TABLEAU 2

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on External Economic Relations
for the Temporary Committee on 'From the Single Act to Maastricht and beyond'

Draftsman: Mr Willy DE CLERCQ

At its meeting of 28 February 1992 the Committee on External Economic Relations appointed Mr De Clercq draftsman.

At its meetings of 24 March and 14 April 1992 it considered the draft opinion.

At the latter meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: De Clercq, chairman and rapporteur; Stavrou, second vice-chairman; Junker, third vice-chairman; Chabert, I. Christensen, Miranda de Lage, Ortiz Climent (for Suarez Gonzalez), Peijs and Sonneveld (for Lemmer).

I. INTRODUCTION

1. This paper aims to reply to the questions put to the REX Committee by the general rapporteur of the Temporary Committee, concerning:

- the criteria for assessing the level of commitments considered to be needed for the external economic relations policy, as set out in the Second Delors package.

- the possibility of sharing out EC activities and measures, and emergency aid, between the Second and Third Worlds.

In other words, we need to establish the criteria for defining the budgetary resources required to face the challenges of the external economic policy, and the criteria for distributing these resources among the various regions requesting Community aid and cooperation. In your draftsman's view, to respond to these fundamental questions, we must consider the EEC's relations with the other regions of the world <u>not only according to political priorities but also in the light of our economic and commercial interests</u>.

It is clear that political criteria, and particularly the priority given to the countries of Eastern Europe, are crucial in defining the Community's external policy. However, as the committee responsible for the economic and commercial aspects of relations with third countries, the REX Committee must also stress other important criteria to which insufficient attention has fo far been paid.

II. THE 'SECOND DELORS PACKAGE': THE RESOURCES TO FUND THE COMMUNITY'S EXTERNAL ACTIVITIES?

2. The second Delors package forms the <u>financial basis which is essential</u> if the relaunch of European integration decided on in Maastricht in December 1991 is to succeed. Once adopted, it should enable the policies to be implemented and the resources freed to tackle the objectives set at Maastricht for a five-year period (1993-1997). On the <u>Community's external activities</u>, the Commission's proposals outline the budgetary implications of a number of challenges to the EC as a result of current changes on the international scene.

On the one hand the Community is faced with the fact of large-scale industrial changes, and the consequent increase in competition on international markets. On the other hand the Community is courted asked on all sides for its economic cooperation, its aid and its funding. Following the recent historic events in Eastern Europe and in the geographically strategic Mediterranean/Middle East region, new relations must be developed with third countries, and in particular with those regions which are the Community's closest neighbours.

It is clear that the achievement of the aims set out in the common foreign policy - and in particular the <u>external economic policy</u> - in the new Treaty depends largely on allocating resources and setting appropriate budgetary guidelines. What means does the Delors package propose in this respect?

3. According to the Commission proposals, commitment appropriations for 'external action' (heading 4 of the new financial perspective) should rise from ECU 3.6 bn in 1992 to ECU 6.3 bn in 1997[1]. These resources would cover the stepping up and eventual extendsion of cooperation or financial assistance policies currently in operation, as well as the external aspects of other Community policies which also have an internal dimension (particularly the environment and fisheries).

The Commission also proposes creating a new reserve for exceptional expenditure linked to external action (heading 6 of the new financial perspective) to take account of certain types of unpredictable external expenditure. This reserve would include humanitarian and emergency food aid[2], specific action to help third countries in crisis or the enactments of the budget guarantee in cases where an external debtor defaults on a loan. The total mount of this reserve should rise progressively from ECU 500 m in 1993 to ECU 900 m in 1997, including ECU 300 m for humanitarian aid over and above existing budgetary allocations.

Provision is also made for the budgetization of the new EDF (European Development Fund). The incorporation of this fund into the Community budget before 1997 would imply raising the own resources ceiling accordingly.

4. On the basis of the preceding figures, the expansion of the Community's current external action and the inclusion under the same heading no. 4 of the external aspects of certain Community policies would imply an annual increase of 12% in the available financial resources between 1992 and 1997; in other words, an increase in appropriations double that of the total budget.

Taking account of the reserve for exceptional expenditure, the funds available in the Community budget for external action would be doubled (from ECU 3.6 bn in 1992 to ECU 7.2 bn in 1997). As a result external Community action, which formed only 2.7% of the budget in 1987 and amounts to 5.4% in 1992, could reach 7.2% of total commitment appropriations in 1997.

In the Commission's view, this doubling of the funds allocated to the Community's external economic and financial measures involves the 'Communitarization' of certain expenditure which would otherwise have fallen to the Member States. In other words, there would be some redistribution of the expenditure linked to external measures, with expenditure being transferred from the Member States' budgets to the budget of the European Union.

Finally it is useful to remember that, if necessary, the margin for revision of the financial perspective (of the order of ECU 1690 m in 1993) could also be used to deal with new situations. Would these funds be sufficient to deal with the priorities of the Community's external policy?

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1 The second Delors package creates for the first time a separate heading in the financial perspective for 'external policy or action'.

2 To permit rapid and well coordinated Community action on humanitarian aid, the Commission has recently set up a European emergency humanitarian aid office within its own administration.

5. In your draftsman's view, it is hard to put a precise figure on the future needs of external policy, particularly since a great many uncertainties still remain (political developments in the countries of Central and Eastern Europe, particularly the former USSR, and in the Mediterranean region and the Middle East). However, in view of the budgetary problems in several Member States and the prospects for the European economy in the next few years, the Commission's proposed increases seem justified.

Moreover the scale of the challenges in this area considerably exceeds the capacity of the Community budget which, at this stage in European integration, can be no more than a catalyst and coordinator of the Community's total financial effort.

6. However, though the resources allocated seem adequate as a whole, your draftsman suggests that the increase in commitment appropriations from 1993 to 1997 should be concentrated in the first few years, in view of the scale and urgency of the needs in the regions neighbouring the Community. Consequently, the REX Committee feels that the sums allocated to this policy should increase not in a linear progression but degressively.

III. PRIORITIES FOR THE COMMUNITY'S EXTERNAL ECONOMIC POLICY

7. In response to the fundamental question of how to distribute the 'budget volumes' allotted to external economic policy among the various regions requesting the Community's aid, your draftsman proposes to examine our commercial and economic interests as they appear from the tables and diagrams in the annex. Two basic criteria have been adopted: geographical concentration of the Community's external trade (Table 1) and links between the Community and the various regions of the world in terms of direct investment (Table 3).

8. On trade it needs to be pointed out first and foremost that intra-Community trade represents 60% of the EEC's trading relations, in other words, the internal market is the most important destination for Community products.

Looking solely at extra-Community trade, the closest links are between the Community and the industrialized countries, which represent 60% of its external trade. Among these countries, EFTA is our main trading partner with a quarter of the EEC's external trade, followed by the United States (18.4%) and Japan (7.8%). The EEC's deficit in trade with the USA and Japan is 32 billion ECU, more than two-thirds of the Community's total trade deficit.

In 1990, the State trading countries (the 'Second World') took up only 8.2% of the Community's external trade. The Community had a trade deficit of around 11 billion ECU with these countries, 48% of which was with the People's Republic of China and 45% with the former USSR.

The developing countries (Third World) took up 32% of the Community's exports and provided 31% of its imports. Of these countries, those with the closest trading links with the Community were those of the Mediterranean region as a whole (10% of the EEC's external trade).

The Community has a negative trade balance with all the developing regions except for the Mediterranean area and the Middle East.

9. Regarding direct investment, an assessment of links between the Community and the various categories of country is made more difficult by the absence of full and reliable data in the EUROSTAT statistics. However, the available data is telling in several respects. It appears that (Table 3):

- the industrialized countries absorbed 84% of effective direct investment by the Community between 1984 and 1988, the principal beneficiary being the United States (71%).

- Japan received only a minute part (0.8%) of direct investment from the EEC.

- during the period under discussion[3] the State trading countries received a very small percentage (0.6%) of direct Community investment.

- the countries in developing regions shared only 15.3% of direct Community investment.

10. The Community and its Member States are the primary sources of development aid. Seen as a proportion of the Community budget, the geographical distribution of aid allocated in 1992 is roughly as follows:

- 40% of Community aid benefits the countries of Eastern Europe (28%) and the former USSR (12.5%);

- almost 60% of Community aid goes to help developing countries;

- within the heading 'financial and technical assistance' which represents almost two-thirds (64%) of the budgetary appropriations allocated to external measures, the geographical distribution of commitment appropriations largely reflects the Community's current political priorities: Eastern Europe and ex-USSR: 62.1%; Mediterranean: 14.4%; Asia: 14.2%; and Latin America: 9.3%.

To this aid from the Community budget should be added the guarantees for EIB loans (granted to the ACP countries, the Mediterranean region and Eastern Europe); the guaranteeing of loans granted by other financial institutions (the only item in this category as yet is the 500 million ECU loan to the USSR) and the loans granted directly by the EEC on the strength of funds borrowed on the capital markets (loans to several eastern European countries and Algeria).

11. On the basis of the above arguments, your draftsman arrives as the following conclusions:

1. The internal market remains the principal destination for Community products.

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3 The 1988 figures are the most recent available at the time of writing.

2. Increased efforts are needed to balance the Community's external trade with Japan, the United States and certain Asian countries. This requires better coordination between external policy, trade policy and development cooperation. Your draftsman therefore suggests that the budget lines on common commercial policy (B5-310: Promotion and exports to Japan; B5-3110: Specific measures concerning markets of third countries; B5-3111; B5-312: Specific measures concerning the USA) should be included under heading 4 of the financial perspective. The aim of this is clear: to improve the overall coherence and effectiveness of the Community's foreign policy.

3. The allocation of Community aid among the various regions should take greater account than hitherto of the Community's economic and commercial interests. In this connection the Mediterranean countries' current share in aid from the Community budget (9.1%) should be increased to take account of the region's economic and commercial importance for the Community (as the third largest export market after EFTA and the United States, and a larger market than that of the former State trading countries).

IV. CONCLUSIONS

12. The REX committee requests the committee responsible to include the following conclusions in its report:

1. The increases in commitment appropriations proposed by the Commission for foreign policy seem adequate. However, the sums to be allocated to this policy between 1993 and 1997 should increase not in a linear progression but digressively (see points 4, 5 and 6).

2. In order to improve the coherence and effectiveness of the Community's foreign policy, the budget items concerning the common commercial policy should be included under heading 4 of the new financial perspective, and not with the expenditure on the internal market (heading 3) as at present (see point 11.2).

3. The allocation of Community aid amongst the various regions should coincide more closely with the Community's economic and commercial interests (see points 7, 8, 9 and 10).

4. The Mediterranean countries' current share in aid from the Community budget should be increased during the period 1993 to 1997 (see point 11.3).

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Annexe I

Tableau N° 1

Ventilation par régions du commerce extérieur de la Communauté (1990)

	CEE-IMPORTS (cif)		CEE-EXPORTS (fob)		SOLDES
	MIO ECU	- % -	MIO ECU	- % -	
TOTAL dont :	1,127,589.4	100.0	1,076,565.0	100.0	
EXTRA-CEE	461,521.4	40.9	415,319.6	38.6	
************					
EXTRA-CEE dont :	461,521.4	100.0	415,319.6	100.0	- 46,201.8
CATEGORIE 1	276,200.7	59.8	250,731.4	60.4	- 25,469.3
CATEGORIE 1 dont :	276,200.7	100.0	250,731.4	100.0	
USA	85,169.2	30.8	76,549.6	30.5	- 8,619.6
JAPON	46,213.4	16.7	22,715.2	9.1	- 23,498.2
EFTA	108,467.4	39.3	111,233.9	44.4	2,766.5
Autres pays industri. (Canada, Australie, Méditerranée-Nord)	36,350.7	13.2	40,232.7	16.0	3,882.0
CATEGORIE 2	41,476.6	9.0	30,341.0	7.3	- 11,135.6
CATEGORIE 2 dont :	41,476.6	100.0	30,341.0	100.0	
Europe de l'Est (URSS exclue)	14,214.4	34.3	13,048.1	43.0	- 1,166.3
URSS	16,167.4	39.0	11,184.5	36.9	- 4,982.9
R. P. CHINE	10,587.6	25.5	5,270.9	17.4	- 5,316.7
Autres pays (Cuba, Mongolie, Vietnam)	507.2	1.2	837.5	2.7	330.3
CATEGORIE 3	143,844.2	31.2	134,244.9	32.3	- 9,599.3
CATEGORIE 3 dont :	143,844.2	100.0	134,244.9	100.0	
AMERIQUE LATINE (1)	25,325.6	17.6	15,031.4	11.2	- 10,294.2
ASEAN	16,731.9	11.6	16,068.4	12.0	- 663.5
MOYEN ET PROCHE-ORIENT (2)	20,708.6	14.4	22,313.4	16.6	1,604.8
EXTREME-ORIENT (Japon, asean et pays d'Asie avec commerce d'Etat exclus)	29,276.9	20.4	26,029.6	19.4	- 3,247.3
ACP	20,124.0	14.0	16,625.0	12.4	- 3,499.0
BASSIN MEDIT.-SUD (3)	31,677.2	22.0	38,177.1	28.4	6.500.0

Source : CRONOS-FRIC, EUROSTAT

Production : Parlement européen/Service Statistique

Note : Catégorie 1 : Pays-tiers occidentaux industrialisés
Catégorie 2 : Pays avec commerce d'Etat
Catégorie 3 : Pays en voie de développement

(1) LA-19 (LA-20 Moins Cuba)

(2) Irak, Iran, Arabie Saoudite, Koweït, Bahreïn, Qatar, Emirats arabes unis, Oman, Yemen

(3) Les pays du Bassin Méditerranéen ont été distribués dans la catégorie 1 (pays industrialisés) et la catégorie 3 (pays en voie de développement)

Tableau n° 2

Annexe II

IMPORTANCE DU BASSIN MEDITERRANEEN POUR
LE COMMERCE EXTERIEUR DE LA COMMUNAUTE (1990)

	CEE-IMPORTS (cif)		CEE-EXPORTS (fob)		SOLDES
	MIO ECU	- % -	MIO ECU	- % -	
BASSIN MEDITERRANEEN (4) (% EXTRA-CE)	42,261.2	9.2	45,562.3	11.0	3,301.1
BASSIN MEDITERRANEEN-NORD	10,584.0	2.3	7.385,2	1.8	- 3,198.8
BASSIN MEDITERRANEEN-SUD	31,677.2	6.9	38,177.1	9.2	6.500.0

Source : CRONOS-FRIC, EUROSTAT
Production : Parlement européen/Service Statistique

(4) Malte, Chypre, Yougoslavie, Albanie, Turquie, Syrie, Liban, Israël, Jordanie, Egypte, Libye, Tunisie, Algérie, Maroc.

TABLEAU N° 3

Annexe III

DISTRIBUTION GEOGRAPHIQUE DU COMMERCE EXTERIEUR, DES INVESTISSEMENTS ET DE L'AIDE BUDGETAIRE DE LA COMMUNAUTE

(en pourcentages)

	COMMERCE EXTRA-CEE 1990	INVESTISS. DIRECTS MOYENS 1984-1988 (1)	AIDE ALLOUEE PAR LE BUDGET COMMUNAUTAIRE EN 1992 (2)
TOTAL	100.0	100.0	100.0
CATEGORIE 1 : PAYS INDUSTRIALISES dont :	60.1	84.1	-
- Etats-Unis	18.4	71.1	-
- Japon	7.8	0.8	-
- EFTA	25.2	4.8	-
- autres	8.7	7.4	-
CATEGORIE 2 : PAYS AVEC COMMERCE D'ETAT dont :	8.2	0.6	40.3
- Europe de l'Est	3.2	non disponible	28.0
- URSS	3.2	non disponible	12.3
- R.P. Chine	1.8	non disponible	-
CATEGORIE 3 : PAYS EN VOIE DE DEVELOPPEMENT dont :	31.7	15.3	59.7
- Amérique Latine	4.6	non disponible	5.9
- ASEAN	3.8	non disponible	}
- Moyen et Proche-Orient	5.0	non disponible	9.1}Asie }
- Extrême-Orient	6.3	non disponible	-
- ACP	4.2	0.3	-
BASSIN MEDITERRANNEEN	10.1	non disponible	9.2

Source : EUROSTAT

Note : (1) Les bénéfices réinvestis sont exclus.

(2) Ces pourcentages correspondent aux crédits budgétaires qui vraisemblablement ont pu être imputés aux différentes régions du monde. Les quelques 1.300 MECUS du FED ainsi que les prêts octroyés par la BEI sur ses ressources propres sont exclus.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Social Affairs, Employment and the Working Environment

for the Temporary Committee on the 'Delors II package'
Draftsman: Mr Bartho PRONK

At its meeting of 27 February 1992 the Committee on Social Affairs, Employment and the Working Environment appointed Mr Pronk draftsman.

At its meetings of 27 February 1992, 10 March 1992, 26 March 1992 and 14/15 April it considered the draft opinion.

At the last meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: van Velzen, chairman; Papayannakis, vice-chairman; McMahon, vice-chairman, Pronk, draftsman; Brok, Buron, Cabezon Alonso, Catasta, Cramon-Daiber, De Vitto, Hadjigeorgiou, Hughes, Kuhn (for Peter), McCubbin (for Torres Couto), Megahy, Menrad, Nielsen, Onur, Rønn, Sandbæk, Schmidbauer (for Pagoropoulos), Tongue, Van Outrive (for Glinne), von Alemann.

I. Strengthening economic and social cohesion in the context of the internal market

The completed internal market will only achieve its objective as a strategic basis for the building and growing integration of the Community if balanced progress is made at the economic and social 'seams' of the common economic area without internal borders. The internal market is expected to lead to a reduction in costs, economies of scale, intensified trade, an increase in competition, an expansion of the technological base and productivity gains, and more vigorous economic growth in the Member States, and thus to have a positive impact on employment and, above all, to reduce regional disparities.

However, more vigorous economic growth does not lead automatically to social progress. Rather, the completion of the internal market must be accompanied by the measures necessary to improve working conditions, raise the standard of living and safety at work, in order to meet the social challenge of achieving or pushing through - as part of the process of integration - social progress in those countries and regions which remain backward in this respect. However, to the extent that social progress means extra costs for companies, the result will be pressure for rationalization and labour-saving technical advances, which may dampen down the employment boom and make the less-developed EC Member States, whose advantage as locations is often their relatively low wage level, lose their attraction for investors.

To avoid jeopardizing the Community's economic and social cohesion, measures to strengthen cohesion should be financed mainly from the Structural Funds and the new Cohesion Fund, in accordance with the conclusions of the European Council of Maastricht.

The European Parliament has also stressed the need to acknowledge the importance of interaction between the objectives of harmonious development, strengthening of economic and social cohesion and convergence, which is vital for the completion of economic and monetary union. It is believed that structural policies, which are one of the principal means of achieving economic and social cohesion, must be expanded on the basis of the complementary components - strengthened cohesion, economic growth and convergence.

Finally, it should be pointed out that, following the Maastricht Treaty, the Community must place still greater emphasis on the various Community policy instruments for strengthening economic and social cohesion. As far as industrial policy is concerned, restoring the competitiveness of European industry must go hand in hand with combating unemployment and social marginalization. The importance of human resources in restoring competitiveness, in technology and in making the most of the single market must not be underestimated. Social Fund programmes must therefore continue to play a key role in improving the employment situation in all Member States. The same is true of small and medium-sized undertakings (SMUs), a key element of the Community's present industrial fabric (employing more than fifty per cent of Community labour). Special measures must be taken in this field, if possible in conjunction with the European Social Fund, to adapt human resources to the requirements of international competition.

II. The European Social Fund as the main instrument of structural policy

A. The requirements and the financial resources

The Commission estimates that an annual total of around ECU 26 billion (at 1992 prices) will have to be invested in areas such as transport, telecommunications and energy infrastructure, in order to reduce the gap between the current Objective 1 regions (less-developed regions) and the more advanced regions. ECU 1 bn per year will be needed from 1994 to 2010 to raise the participation rate in education and vocational training of 15-19 year-olds to the levels of the more advanced countries (not including university education and research); at the same time, according to the Commission, the vocational training needs of these regions will require at least ECU 7 bn per year if the training standards of the Objective 1 regions are to converge with those of the other regions of the Community. It should be pointed out that these data from the Commission do not take into account the five new German Länder (which will become Objective 1 regions in 1994, as their GDP, while higher than that of Portugal and Greece, is around half the Community average). It should also be pointed out that the Commission has not submitted any estimates regarding the requirements for annual expenditure on vocational training in declining regions (Objective 2), rural regions (Objective 5) or fishery regions (new Objective 6), nor for areas which are not covered by these objectives but are affected by long-term unemployment.

It is against this background that the Commission is proposing that Community Structural Fund expenditure (commitment appropriations) be increased from ECU 17 965 million in 1992 to ECU 26 800 million in 1997 (see Annex I). According to the Commission, this rise would mean increasing by two-thirds the appropriations for Objective 1 regions; the figure for the latter would thus be ECU 18 400 million in 1997 (compared with ECU 11 000 million in 1992). As to the remaining objectives, i.e. Objectives 2, 3/4 (revamped), 5b and new Objective 6 (fishery regions), commitment appropriations would increase from ECU 5070 million in 1992 to ECU 7600 million in 1997, an overall increase of 50%.

As Parliament itself has pointed out, past experience in this area shows that the Commission did not use clear methods or criteria for allocating the available resources among the various Structural Fund objectives in the period 1989-1993. Moreover, experience has also shown that the requests put forward by the Member States for plans and programmes to do with long-term unemployment and the integration of young people into the labour market (Objective 3/4) exceeded by around 289% the overall budget earmarked by the Commission for these objectives. A similar situation arose in respect of Community funding for human resources in most of the other objectives. The Commission now admits that the solution used in the past to deal with the gulf between the needs in education, basic training and retraining formulated by the Member States and the resources available was to reduce the measures and programmes to be financed and/or subsidize a smaller percentage. A repetition of this situation must be avoided in future by ensuring from the outset, and without prejudice to Parliament's powers as a budgetary authority, that any decisions taken on the overall budget to be allocated to each of the Structural Fund objectives and the distribution of this budget among the various funds are taken after plans have been submitted by the Member States and in accordance with Parliament's opinion. It will also be essential to ensure that the indicative allocation of the financial resources available for the period 1993-1997 is made by objective and fund, so that an advance assessment can be made of the Commission's commitment to supporting and improving human resources.

Consideration must be given to a spending policy based on solidarity and to the European Community's revenue if the aim of cohesion is to be achieved. This will involve major complications which cannot be resolved simply by examining the Member States' net contributions; some Member States have both rich and poor regions (Spain, Italy and the Federal Republic of Germany). It is therefore important to look for own tax resources for the European Communities. Inequities should be corrected primarily on the contributions side.

B. <u>The role of the European Social Fund in attaining the objectives of the Structural Funds - a new approach</u>

In its document 'From the Single Act to Maastricht and Beyond' and subsequent reports, the Commission proposes, following the Maastricht Summit, not only an enlargement of the spheres of action of the ESF but also a greater simplification of decision-making procedures, increased partnership and greater concertation under the principles of decentralization and subsidiarity and greater flexibility in the scope and administration of the ESF.

In this connection, Parliament should now reaffirm the guidelines and proposals concerning the ESF which it has advocated in recent years, while taking into account the conclusions reached by the Committee on Social Affairs at its hearing last year on the implementation of the ESF.

Naturally, opinions differ as to whether 'European Social Fund' is an appropriate term for an instrument used in the implementation of Community labour market policy. There is, however, no doubt that its basic purpose is to improve employment opportunities for workers within the Community. The purpose of the Social Fund, together with and in close cooperation with the European Regional Development Fund and the European Agricultural Guidance Fund, is to make an effective contribution to the Community's social and economic cohesion. It must not, however, be misused at national level as a refinancing instrument for individual Member States, with national labour agencies submitting their plans for the reduction of unemployment to the Fund for financing.

It is also important to ensure that the European Social Fund is seen as a financial instrument for the job market, i.e. primarily for people who are on or likely to be on the labour market; that is to say, the ESF must not be used as a social welfare instrument.

At the same time, the simplification of procedures must not relieve the Community (and the Commission in particular) of its responsibility for adapting programmes to current needs and for ensuring that reliable decisions are taken on co-financing. It will also be necessary to simplify payment systems, to avoid the delays which have occurred in recent years and prevent national bodies which manage the transferred resources from making profits from these delays. As regards the principle of partnership and concertation, steps will have to be taken to ensure that employers' organizations and unions are involved in and consulted during the decision-making process.

As regards improving <u>ex-ante</u> and <u>ex-post</u> assessment, close links must be established between the new approaches which the Commission intends to follow in programming and <u>ex-ante</u> assessment; in addition (and given that financial resources are limited), more efficient monitoring and assessment procedures should be introduced to increase the responsibility of the various decision-making levels involved (Community, national and local). In this area, the deployment of special on-the-spot task forces to provide technical assistance wherever implementation problems are identified could be justified.

Insufficient attention has been given in the past to monitoring the implementation of the programmes adopted. It now transpires that national authorities are unable to cope with the task of monitoring.

A larger Community share in the Fund's resources may be justified if regions are unable to absorb the funds at their disposal because of the complementary resources needed. More thought should also be given to the possibility of financing complementary funds from private sources.

III. <u>Social policy in the context of the proposals contained in the Delors II Package</u>

The expenditure and budget of the Community should be readjusted in general terms to give greater emphasis to the objective of social cohesion in the various Community policies and social policy in particular. Community intervention in domestic Community policy areas should be more clearly geared to achieving the social dimension of the single market on the basis of the Community Charter of Fundamental Social Rights.

In this connection, the Committee on Social Affairs has pointed to the need for a certain re-equilibrium and rationalization of the various social policy budget headings, without prejudice to budgetary efficiency and transparency. Attempts to achieve greater cost-effectiveness should not jeopardize the objectives of social progress and harmonious development.

The Committee on Social Affairs, Employment and the Working Environment calls on the Delors II Temporary Committee to adopt in its resolution the following conclusions:

<u>The European Parliament,</u>

A. Reaffirms that the operation of the internal market requires increased solidarity in order to achieve greater economic and social cohesion and social progress;

B. Takes the view that ratification of the Maastricht agreements and adoption of the financial measures contained in the 'Second Delors Package' are the minimum conditions for progress towards European Union. Achievement of the latter will require cohesion policies with adequate funding for genuine economic and social convergence in the Member States;

C. Takes the view that Community policies must aim to foster the economic development and improvement of living and working conditions of the least-favoured sections of the population and regions;

D. Takes the view that the Maastricht agreements call for the present system of own resources to be reviewed in future;

E. Suspects that the projected requirements for basic vocational training and retraining put forward by the Commission for the next few years are inadequate;

F. Considers that European Social Fund objectives and priorities must be adopted in conjunction with the European Parliament;

G. Believes that the following principles should be taken into account when preparing revised versions of the regulations of the Structural Funds and in particular the European Social Fund:

- ESF measures to be focused on individuals already on the labour market, who may forced out of it because of training gaps or shortcomings and on those seeking employment or re-employment within a reasonable period;

- greater commitment by the Member States to implementing programmes to improve human resources in the areas of vocational training and further training, promotion of employment and adaptation to industrial change;

- programmes to be adapted to labour market requirements by making systematic use of ex-ante assessment;

- monitoring of the programmes adopted;

- No refinancing of national initiatives;

- Community and national payment procedures to be simplified, to prevent delays which are due to excessive bureaucracy;

- both sides of industry at national level to be consulted on programmes receiving ESF financing as part of the extension of the national social dialogue;

- the Commission to play a bigger role at the stage of authorizing and implementing programmes wherever Community participation may be greater than 40%;

- the European Social Fund to contribute to achieving the new Objective 6 (fisheries) where retraining is concerned;

- Better coordination between ESF spending and Community social policy;

- Strict observance of the principle of additionality;

H. Believes that the Cohesion Fund should not be seen simply as a compensation fund, but as an expression of intra-Community solidarity for the purpose of financing transport and environmental infrastructural projects of Community interest;

I. Believes that Community budgetary measures in national policy areas should be in line with the Charter of Fundamental Social Rights; stresses the need to introduce throughout the Community, in the context of social policy, suitable instruments to provide support and assistance for the long-term unemployed, in order to eliminate obstacles preventing them from finding new jobs.

PERSPECTIVES FINANCIERES

CREDITS D'ENGAGEMENT (MECUS. Prix 1992)

	1992	1993	1994	1995	1996	1997
1.POLITIQUE AGRICOLE COMMUNE	35348	35340	37480	38150	38840	39600
2.ACTIONS STRUCTURELLES	18559	21270	22740	24930	27120	29300
Fonds structurels	17965	19770	20990	22930	24870	26800
Fonds de cohésion		1500	1750	2000	2250	2500
(PIM/PEDIP)	594					
3.POLITIQUES INTERNES (1)	3991	4500	5035	5610	6230	6900
4.ACTIONS EXTERIEURES	3645	4070	4540	5060	5650	6300
5.DEP. ADMIN. INSTITUTIONS	4049	3310	3465	3720	3850	4000
Personnel et fonctionnement						
- Commission	1698	1760	1826	1890	1960	2035
- Autres institutions (2)	895	930	960	1000	1040	1070
- Pensions (toutes inst.)	249	290	325	380	400	446
Immeubles	287	330	355	450	450	450
(remboursements)	922					
6.RESERVES	1000	1500	1600	1200	1300	1400
Réserve monétaire	1000	1000	1000	500	500	500
Dépenses exceptionnelles		500	600	700	800	900
TOTAL CREDITS D'ENGAGEMENTS	66592	69990	74860	78670	82990	87500
CREDITS DE PAIEMENT NECESS.	63241	67005	71650	75110	79060	83200
CREDITS DE PAIEMENT (% PNB)	1.15%	1.19%	1.24%	1.27%	1.30%	1.34%
MARGE POUR REVISION (% PNB)	0.05%	0.03%	0.03%	0.03%	0.03%	0.03%
RESSOURCES PROPRES (% PNB)	1.20%	1.22%	1.27%	1.30%	1.33%	1.37%

(1) Montants retenus, à titre d'orientation, pour la politique RDT : 2448 2730 3040 3380 3770 4200

(2) Sous réserve de confirmation par les institutions concernées.

Source: COM(92) 2001 final

OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on Regional Policy,
Regional Planning and Relations with Regional and Local Authorities

for the Temporary Committee on 'From the Single Act to Maastricht and Beyond'

Draftsman: Mrs IZQUIERDO ROJO

At its meeting of 18 February 1992, the Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities appointed Mrs Izquierdo Rojo draftsman.

At its meetings of 18 March and 23 April 1992 it considered the draft opinion.

At the latter meeting it adopted the conclusions unanimously.

The following were present for the vote: Gutierrez Diaz, chairman; David, Cushnahan, Pereira, vice-chairmen; Izquierdo Rojo, draftsman; Arbeloa Muru, Bettini, Boissiere, Brito (for Dessylas), Calvo Ortega, Contu, Da Cunha, Escuder Croft, Falconer, Ferrer, Fitzgerald, Forte (for Lucas Pires), Garcia Arias (for Alexandre), Harrison (for Hume), Howell, Imbeni (for Raggio), Köhler, Lauga (for Musso), Maibaum (for Iacono), Maher, Moretti, Nicholson, Ortiz Climent, Pack (for Romeos), Rosmini, Ruiz Jimenez, Santos (for Romeos) and Vandemeulebroucke.

The Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities asks the Temporary Committee on the Second Delors Package to take the following points into consideration when drawing up its draft resolution on the Commission proposals.

1. The Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities welcomes the fact that the Maastricht Treaty has confirmed the status of economic and social cohesion as a central plank of the building of Europe by reinforcing Article 130e and including it among the fundamental objectives of the Union laid down in Article 2. In this context, the proposal is only a means of implementing the commitments laid down in the Treaty.

2. This committee welcomes the priority given to economic and social cohesion in the Commission's communication and the weight in percentage terms which the proposal gives to the structural policies, with action intended to reduce regional disparities representing one-third of the total by 1997.

   Given the disparity between the systems of regional and local government within the Community it would be valuable for the Commission to re-examine the need to develop structures exercising like responsibilities.

3. Nonetheless, the Committee on Regional Policy, Regional Planning and Relations with Regional and Local Authorities records its disappointment with regard to the actual scale of Community funding envisaged for the period 1993-97, and its doubts as to whether a financial package which for 1997 envisages a budget equal to 1.37% of the Community's GNP, less than the 1.4% ceiling for 1992 fixed by the first Delors package, can bring the Commission's stated intentions to fruition.

4. It considers that there is a close link between the principles of convergence and cohesion and that this must be properly represented in the Community's financial planning.

5. While welcoming the new significance in percentage terms within the budget which the proposal seeks to give the structural policies, the Committee must state its concern at how exiguous the funding is in absolute terms, for a variety of reasons.

   5.1. In terms of economic convergence, the effort required of the poorer regions and Member States to join the Economic and Monetary Union is far greater than the concessions they can obtain by means of the new structural and cohesion proposals. Without this support, a large part of the European Community would never be in a position to join the Economic and Monetary Union, and we would find ourselves de facto constructing a two-speed Europe more disparate and disunited than at present.

   5.2. Account must also be taken of the fact that the economic convergence measures called for are, at certain points and on certain issues, clearly incompatible with the economic and social cohesion measures, which means that the latter need to be strengthened still further.

   5.3. Although the Commission proposals provide for the doubling of expenditure on the Objective 1 regions of Spain, Greece, Ireland and Portugal, it needs to be pointed out that the impact on these regions will be reduced considerably as a result of the rise in the ceilings for Community participation in investment (which may be as high as 90% of investment in the case of the Cohesion Fund).

5.4. The Single Market will have an adverse impact on the least-favoured regions, producing a trend towards increased disparities which is extremely difficult to combat and reverse. Only long-term policies and a sustained, concentrated aid effort can guarantee a certain minimum of positive results.

5.5. Account must be taken of the effect of the exclusion of the Objective 1 areas from the Cohesion Fund. Such areas must have appropriate levels of support if those matters mentioned in paragraphs 5.2 and 5.4 are to be addressed effectively.

6. It therefore proposes that, in addition to the establishment of the Cohesion Fund with the budget proposed by the Commission, genuine efforts must be made to double the structural funds for the Objective 1 regions.

7. As the economic convergence policies which the Member States must introduce in order to establish Economic and Monetary Union need to be implemented immediately and without delay, the new structural policies and, in particular, the Cohesion Fund, must be introduced as soon as possible so that they can have a politically compensatory and stimulating effect by contrast with the rigorous economic austerity and adjustment measures which the weakest states will need to take.

8. In any case, the committee welcomes the establishment of the new Cohesion Fund and considers that the fact that it is to be dedicated to environmental and transport infrastructure projects strengthens the cohesiveness of the Community regional policy. However, it considers that the Fund's appropriations should be divided up between these two objectives in advance, a decision which is bound to involve the European Parliament. It also points out that speed must not be detrimental to the European Parliament's rightful role in determining the main thrust of Community interest, nor to proper participation by the regions.

9. Considers that the creation of the Cohesion Fund, together with the trans-European networks, supposes a major advance towards a Community regional planning policy, and believes that this requires coordination between the two instruments.

10. Expresses its fear that the Cohesion Fund may become an instrument for the renationalization of Community regional policy and that it signals a return to a system of simple financial transfers to national budgets.

11. Considers that the Cohesion Fund must not be administered independently, but within the framework of the Structural Funds, and subject to strict application of the cooperation principle.

12. In view of the fact that this is an initial opinion concerning a proposal whose wording may be altered, the committee reserves the right to make proposals throughout the legislative process once the Commission's plans and the funding envisaged are known in detail. However, it feels it is necessary to issue a warning as of now that the direct assignation of monies from this fund to the Member States must not be to the detriment of the rationale of Community regional policy. This rationale must be strengthened; it has to a great extent been supported by the main principles of the 1988 reform, notably the principle of cooperation, which implies close collaboration with the regional and local authorities involved. The committee considers that these principles must apply to action involving the new Cohesion Fund. It is essential that there should be coordination with the other Structural Funds, most particularly the Regional Development Fund.

13. Although progress has been made towards consultation with regional and local authorities, it believes there is a need to involve the regions more directly in the drawing-up and implementation of Community programmes.

14. The Committee on Regional Policy believes that the importance of structural policies in terms of percentage of the Community budget demands the permanent involvement of the European Parliament and its appropriate committee in steering policy tasks. It is essential, therefore, to find suitable procedures to allow Parliament and its appropriate committee to carry out the control and monitoring functions which are rightly theirs.

15. The committee notes the very positive results achieved during the three years of the reform of the Structural Funds, particularly where the growth in employment - the creation of 500 jobs - is concerned, as described in the Commission's Communication on the outcome of and prospects for Structural Policies (March 1992).

16. The committee fully supports the emphasis which the Commission places on support for Objective 1 regions but believes that greater resources than apparently envisaged should be allocated to Objective 2. The committee would also urge the Commission to publish the breakdown of planned expenditures for Objectives 2, 3, 4 and 5b as soon as possible, so that a proper assessment of the proposals can be made.

17. With regard to the principles governing the Structural Funds, the committee would repeat its previous statements to the effect that we fully share the Commission's attitude with regard to the need to simplify procedures, whilst such simplification must remain compatible with concern for further decentralization and systematic, rigorous assessment not only a posteriori but also a priori.

18. In this connection, it supports the statement made by Mr Millan, the Commissioner, when he appeared before the Committee on Regional Policy on 19 March 1992, in which he stressed that direct relations between the regions and the Commission would substantially improve the operation of Community regional policy.

19. The committee welcomes the emphasis which the Commission places on continuity with the present reform of the Structural Funds but believes that in future a greater emphasis should be placed on the principles of subsidiarity, partnership and genuine additionality.

20. With regard to the flexibility demanded by the Commission, which is quite justifiable for the sake of greater rationality, its implementation must go hand in hand with strict transparency and, we repeat, the permanent involvement of the European Parliament.

21. The committee welcomes the Commission's support for a Community industrial policy and the emphasis which they wish to place on the training and re-training of workers. However, we would hope that the Social Fund would not be used in such a way as to reinforce existing regional disparities. In other words, industrial training ought to be focused on the designated areas of assistance.

22. The committee welcomes the Commission's desire to extend the role of the European Investment Bank, increasing its potential field of action, and considers that conditions concerning access to loans must be improved for the least-favoured regions. The full-scale use of the EIB's financial capacity in coordination with the Structural Funds is an unresolved issue of Community regional policy that must be fully explored, above all, by taking account of the flexibility of a source of funding which is not tied to budgetary requirements within the context of national financial austerity policies. In this connection, it considers it vital that the EIB acquire the necessary mechanisms to incorporate into multiannual planning the capacity to fund the regions from the bank's own resources, which will enable it to be fully coordinated with other structural instruments and fulfil the brief of the Maastricht Treaty, as laid down in the new Article 198E.

23. Similarly, the committee supports 15% of the Structural Funds being used for specific initiatives, but we would hope that a mechanism can be developed so that Parliament's views can be fully taken into account.

24. The impact of the financial perspective on economic and social cohesion cannot be assessed purely in terms of the funding assigned to structural action. Uncertainty with regard to the nature of the CAP over the next five years prevents us from calculating the effects of the Community budget on regional imbalances. Nonetheless, the committee would draw attention to the harmful long-term effects of any renationalization of the CAP on the least-favoured regions. It also believes that a priority for future proposals concerning direct aid to agricultural workers' income will be to take account of the need to maintain the living fabric of rural life, from the point of view of both employment and environmental protection.

25. Similarly, it must be borne in mind that the substantial effort which the Community budget could support in research and technology should not be used merely to build up the competitiveness of the EC's central heartlands, but rather to allow the least favoured regions access to the benefits obtained from research and technology which will enable them to get their economies off the ground.

26. From a Community viewpoint, and with a view to the viability of cohesion policies, there is a need to draw attention to the possible benefits - in terms of real flows - of structural measures for the most wealthy

countries and the most highly industrialized Community Member States, as a consequence of the increase in intra-Community trade in capital goods and manufactured products.

27. With regard to incomes policy and the determination expressed at Maastricht to correct the regressive tendency of the present system, we believe that the proposal sketched by the Commission, which scarcely approaches proportionality, does not fulfil this mandate. A new system of own resources needs to be adopted, in order genuinely to correct the regressive effect, and we trust that the next set of Commission proposals will reflect this.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Transport and Tourism
for the Temporary Committee From the Single Act to Maastricht and Beyond'
Draftsman: Mr Rui AMARAL

At its meeting of 26 February 1992 the Committee on Transport and Tourism appointed Mr Amaral draftsman.

At its meetings of 27 March and 14 April 1992 it considered the draft opinion.

At the latter meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: van Dijk, chairman; Amaral, vice-chairman and draftsman; Topmann and Christensen, vice-chairmen; Anastassopoulos (for Bourlanges), Braun-Moser (for de Vitto), Cornelissen (for Müller), Denys, Dinguirard, Jarzembowski, Lüttge, Mantovani, McIntosh, Porrazzini, de Piccoli, Sapena Granell, Sarlis, Schlechter, B. Simpson, Stamoulis (for Iacono), Stewart, Visser and van der Waal.

1. The scope of the present opinion is to establish some guidelines and criteria which would enable the temporary committee to assess the financial implications of the Community policies in the fields of transport and tourism in the years between 1993 and 1997. Whereas the financing of the Community policy in the field of transport infrastructure constitutes the issue of main concern, some preliminary remarks about needs in other sectors appear necessary.

2. Following the completion of the internal market in transport the Commission will have to cope with a rapidly increasing administrative burden. The Commission will not only have to monitor the correct application of Community legislation by national authorities but it will have to gradually take over administrative competences, in particular in the sectors of maritime and air transport in which there is increasing need for a joint representation of Community interests with regard to third countries by a single body. While the Committee on Transport and Tourism has always pleaded for an increase in the Commission's DG VII staff, it must be borne in mind that the number of additional posts for DG VII which could be obtained in the best of the possible cases, would not be sufficient for a lengthy transitional period. Therefore there is a strong need for the financial framework of the Community for the coming years to create the conditions for an increased secondment of national experts whose experience and manpower would enable the Commission to play fully its part in particular in the field of maritime and air transport, with the aim of the creation of a Community Maritime Register and a Community Civil Aviation Authority.

3. The Committee on Transport and Tourism in its reports on the development of the common transport policy in the run up to the completion of the internal market[1] and on Horizon 2000: European Transport[2] has already stressed the need for intensification of research and development programmes in the field of transport. The present level of Community investment in transport research despite the current DRIVE and EURET programmes must be considered as insufficient. New generations of efficient transport systems which are best compatible with the environment must be developed with urgency. The Community has to invest massively in this branch of research and development, in order not to lose its competitivity with regard to other highly developed areas, in particular the United States and Japan. Although it is for the research and development budget and not for the transport budget to provide the necessary financial means for such action, this aspect has to be taken into account when considering the impact of the transport sector on the financial framework of the Community for the coming years.

4. There is no particular concern about the development of budget lines which provide operational credits for the carrying out of existing transport legislation like market observation (B2-703) or maritime transport (B2-705). Following the express mention in the Treaty on the European Union of a Community competence for transport safety and in the field of tourism, financial provisions must take into account increased need in these areas where until now only limited pilot-actions have been carried out. However, at present no reliable figures are available which would enable a more precise assessment of the financial needs for Community action in these fields.

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1 rapporteur: Mr Amaral - A3-0306/90
2 rapporteur: Mr Iacono - A3-0115/92

5. The situation is certainly different in the field of transport infrastructure where there is about 10 years of Community experience gathered in pilot-actions following budgetary initiatives by the Parliament and the subsequent approval by the Council of annual and later multiannual schemes of complementary Community financing of projects of Community interest. Although these programmes have sometimes been criticized for their piecemeal approach, they have, in fact, enabled the Community institutions to develop a useful institutional framework (the Infrastructure Committee) and the technical knowhow (the TASC-system) to cope with the demanding task of working out a true Community infrastructure policy as it has now been conceived in the future articles 129b - 129d of the EC Treaty as modified by article G point 37 of the Treaty on the European Union. In this context two main aspects, which are of course interrelated, will have to be examined in order to assess the financial consequences for the Community:

a) the definition of trans-European networks and of projects of Community interest

b) the financial engineering of projects and the type of financial contributions by the Community.

6. The definition of trans-European networks for all modes of transport now is a matter of priority in order to ensure the efficiency and full compatibility of the future transport system. This task has to be fulfilled on truly European scale, going beyond purely regional or national conceptions, and it has to comply with horizontal political objectives like the protection of the environment and economic and social cohesion. The network plans therefore have to take fully into account the dimension of the whole of geographical Europe[1] not forgetting other adjacent areas like Northern Africa and the Near East. They will have to comply with the general aim of transport policy to make possible a substantial transfer of traffic from the road to less polluting modes like rail, inland- and maritime navigation on the basis of fair competition and full imputation of costs to the transport users.

7. The definition of European infrastructure networks has been regrettably delayed, mainly because the concept of a Community infrastructure policy was opposed by some Member States until the Maastricht Summit. The proposals by the Commission for Council regulations introducing a declaration of European interest to facilitate the establishment of trans-European networks - COM(92)0015 - are certainly a useful step, but not sufficient. There is urgent need for a formal approval by the Community of trans-European networks for the development of infrastructures for rail, road, inland waterway, air, maritime and particularly intermodal transport. The intention expressed by Commissioner van Miert of having these network plans agreed in the course of 1992 merits full support, subject however to the condition that the procedural requirements for the establishment of guidelines for trans-European networks and for the identification of projects of common interest which are laid down in articles 129d and 129c of the EC Treaty as modified by the Treaty on European Union, are fully respected despite this Treaty not coming into force before 1 January 1993.

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1 cf. the "Prague Declaration" approved on 31 October 1991 by the first All-European Transport Conference - PE 152.314/fin.

8. The network plans will have to be framed in a long term perspective, e.g. covering a period of 25 years and conceiving a transport system capable of meeting the demand for mobility while best protecting the environment, reducing the cost of peripheral location and setting reasonable minimum standards to which transport infrastructure should correspond in all parts of the Community. These plans will have to cover all aspects of intermodality (rail-road-maritime and inland shipping), the railway network (including beyond the true high-speed lines), airports and the air traffic control system, as well as a Community port scheme (including development of port infrastructures, hinterland connections, management restructuration). In order to develop networks which entirely fulfill the European dimension, the Commission should start initiatives - in the context of the follow-up to the All-European Transport Conference of Prague - aiming at extending the Community network plans towards Eastern Europe and North Africa. There is equally a need to develop an adequate framework guaranteeing the timely achievement of the single projects. To that aim subsequent five years programmes should be worked out, by means of which Member States would assume an obligation to carry out specific projects of Community interest respecting a determined time schedule.

9. When at present there is still need to lay down the basic elements of the Community infrastructure policy, the assessment of its financial implications can hardly be made on solid grounds. The approach chosen by the Commission, which is to create separate categories of financial means for the different types of intervention can be agreed in principle. In the proposed new financial perspectives Community financing in the framework of trans-European networks will be covered by heading No 3 (internal policies of a horizontal nature) while financing by means of the new Cohesion Fund would be covered by heading No 2 (structural operations for economic and social cohesion) and the increasing need for Community financing outside Community territory would have to be covered by heading No 4 (external action). The Commission envisages for the Cohesion Fund an initial annual allocation of ECU 1500 million to be raised gradually to ECU 2500 million by 1997. In the overall financial allocation for internal policies the Commission assumes as a rough guide that by 1997 trans-European networks would receive ECU 900 million annually. As to external relations the Commission envisages raising the ceiling on financial resources available to a total of ECU 6300 million in 1997 including a reserve of the order of ECU 600 million to provide a guarantee for lending operations.

10. The credits available for transport infrastructure funding will considerably increase in the coming years. At present it is difficult, however, to assess whether these credits will meet the needs for Community funding which will result from the future trans-European network plans. In any case financial engineering has to be developed in order to make Community spending as efficient as possible. Private financing should be made available for projects on the main trans-European axes and Community funding under heading No 3 be concentrated on subsidizing interest rates and guarantees for lending operations, while not excluding direct financial contributions for specific projects, in particular if cumulated with contributions from the Cohesion Funds, which will regularly be made in the form of capital subsidies. As to the Cohesion Funds a difficult arbitrage will have to be made between credits available for transport infrastructure and for environment projects. In this context projects having a positive impact on the transport system as well as on the environment should enjoy particular consideration. There is no objection

to the difference made between financial contributions to projects on trans-European networks as part of horizontal policies (heading No 3) and such contributions from the Cohesion Funds (heading No 2), provided that it is understood that both actions may be cumulated in view of their different scopes.

11. As to financing projects outside the Community the demand will certainly increase to such an extent that the necessary funds will only be able to be raised through the capital markets. Private banking and in particular public banking institutes like the European Bank for Reconstruction and Development, the European Investment Bank and the World Bank will have an eminent role to play while funding out of the Community budget would reasonably have to be limited to the continuation of projects like PHARE (which in future also should cover the transport sector) and to the granting of interest subsidies and of guarantees for lending operations. To the extent that existing financial institutions do not succeed in collecting the necessary investment capital for the infrastructure development of the countries neighbouring the Community in the South and the East, the creation of special financial institutions could be envisaged which would cover developing areas with similar interests. To this end a first group could be constituted by the Maghreb states, Malta and the Member States in the western Mediterranean, and a second group by Greece, the Balkan and Black Sea States, the Arab states and Israel.

Conclusions

12. a) The Committee on Transport and Tourism approves the general approach chosen by the Commission for the Community's finances between now and 1997. The concentration of budget appropriations on priority spending areas like transport infrastructure and the possibility of cumulation of different financial instruments should be welcomed by Parliament.

b) The Commission, however, should take prompt measures to provide clarity on the relationship between the four infrastructure financing instruments, viz. the existing budgetary line for transport infrastructure (Item B2-700), the Regional Fund, the item for networks and the Cohesion Fund. This is all the more relevant since extra grants can be made to the four countries from the Cohesion Fund amounting to 85 to 90% of infrastructure projects.

c) It is of course out of the question for the existing budgetary line for transport infrastructure (Item B2-700 - roughly ECU 140 million for 1992) to be removed to make way for the new Networks category. After all the financing of infrastructure other than networks will have to be continued in the future.

d) With regard to the distribution of the Networks category over transport, energy and telecommunications infrastructure, the Committee on Transport and Tourism believes it would be reasonable for the bulk of spending to be in the transport sector, bearing in mind that the unprofitable projects are to be found mainly in this sector. It may be assumed that the energy and telecommunications sectors will be profitable or even very profitable.

e) A formal reservation should, however, be made with regard to the volume of appropriations which is to be made available for transport infrastructure. As long as the trans-European network plans are not definitively established, no reliable assessment is possible as to whether the amounts which are being discussed at present will be sufficient or not. The new financial perspective should therefore be accepted by Parliament only on the explicit condition that a revision of the appropriations available for infrastructure policy is made after the final approval of the trans-European networks. The European Parliament calls on the Commission, in view of the limited budget resources and previous political statements, to confine itself to priorities which accord with an environmentally sound transport policy.

f) The Commission should therefore be urged to press for a speedy adoption of these network plans, possibly before the end of 1992, provided that it commits itself to guaranteeing Parliament a decision-making role as if the new Articles 129b and 129c of the EC Treaty were already in force.

g) The Committee on Transport and Tourism recalls that Parliament has on several occasions in the past spoken out in favour of the establishment of an Infrastructure Fund to be funded by an EC levy of ECU .01 per litre of motor vehicle fuel, in line with the opinion of the 2000+ Group. This could produce extra Community revenue of several billion ECU a year. This revenue could be used to pay for measures in the transport and environment fields, giving priority to low-energy transport projects in tune with the environment.

OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on the Environment, Public Health and Consumer Protection for the Temporary Committee on "the Single Act after Maastricht"

Draftsman: Mr Siegbert ALBER

At its meeting of 26 February the Committee on the Environment, Public Health and Consumer Protection appointed Mr Alber draftsman.

At its meetings of 26 March and 21 May 1992 it considered the draft opinion.

At the last meeting it adopted the conclusions unanimously with 1 abstention.

The following took part in the vote: Collins, chairman; Amendola, vice-chairman; Alber, draftsman for opinion; Alavanos, Caudron (for Bombard), Ceci, Delcroix, Diez de Rivera Icaza, Florenz, Green, Jensen, Langenhagen, Metten (for Kuhn), Nordmann (for Ruiz-Gimenez Aguilar), Partsch, Pimenta, Pollack, Raffin, Staes, van der Waal, Vittinghoff, Vohrer, White.

1. INTRODUCTION

This opinion points out budget implications for the environment, public health and consumer protection. As the Commission's proposals are, inevitably, still rather vague, and as the implementation of a great number of regulations and directives, some with very far reaching financial implications, has to start from scratch, estimates can be no more than general.

2. CATEGORY 1: THE COMMON AGRICULTURAL POLICY

The Commission acknowledges that environmentally sound agricultural practises have to be promoted and mentions a number of measures. Further measures are needed, existing or future, to combat pollution from over-intensive agriculture, such as water pollution by pesticides and fertilizers. Greater funding is needed for environmental programmes: all CAP payments should progressively become conditional upon environmentally acceptable farming methods. The sums needed will be determined to a large extent by decisions on CAP reform.

3. CATEGORY 2: STRUCTURAL ACTIONS

3.1. The Structural Funds

The new Structural Fund regulations should ensure that environmentally sustainable use of natural resources is set as the guiding principle of regional development policy. Meaningful economic and social cohesion is not possible unless natural resources (such as water and soil) are used sustainably.

3.2. The Cohesion Fund

3.2.1. Priorities

Substantial environmental investment is needed in the Cohesion Fund countries. The Commission's Mid-Term Review of the Structural Funds estimates that annual investment of 3 bn ECU is needed to make good the 'environmental deficit".It is clear that the Fund is likely to be drastically oversubscribed: clear priorities will have to be set.

Despite this, there is a severe potential tension between the two sides of the Fund : infrastructure developments could cause serious environmental damage. Cases of this kind under the existing Structural Funds have been a consistent source of concern to this Committee. There are serious shortcomings in the Cohesion Fund countries in the application of Community environmental legislation designed to manage development of this kind.

Both the transposition and application of the Environmental Impact Assessment Directive (EIA) are problematic. Many projects with serious potential impacts do not receive EIA. The technical and institutional capacity to conduct adequate EIA is in some cases lacking. Investment in training is needed to remedy this.

Implementation of the Community's only legislation protecting areas of land on environmental grounds, the Birds Directive, is also far from satisfactory. Many important sites are therefore vulnerable to infrastructure development.

Political priority is likely to be given to infrastructure rather than environmental investment, and within the environmental side of the Fund to high-profile environmental projects such as sewage treatment. Priority must also be given to environmental measures needed to control infrastructure development.

Member States are required to accept an economic convergence plan in order to receive Cohesion Fund assistance. The environment should be given equivalent political importance. Assistance should also be conditional on the agreement with the Commission of a national environment plan, giving priority to the transposition and application of Community environmental legislation needed to control infrastructure development (such as EIA), training, etc.

Transport infrastructure is likely to generate substantial additional traffic, thereby adding to emissions and global warming. The Community transport frameworks guiding the Fund should take account of the Council's commitment to stabilise CO_2 emissions by the year 2000, giving priority to public rather than private transport and fulfilling genuine transport needs for the regions.

3.2.2. Budgetary presentation and management

The Commission has given no indication as to the relative proportions of environmental and infrastructure spending. It appears that the Commission does not intend to stipulate such a breakdown in advance. To ensure that sufficient priority is attached to environmental spending, the two parts of the Fund should form separate budget lines, with further separate presentation of individual environmental policy areas (water, waste, etc.). The environment component should be managed by DG XI (Environment, Nucleair Safety and Civil Protection), which should take the lead role in negotiating the national environment plans referred to above, or by DG XVI (Regional Policy) but with a right of veto for DG XI.

3.2.3. Coordination with other funds

It has been suggested that difficulties may arise in the case of crossborder environment or infrastructure projects, where only one of the Member States involved is eligible under the Cohesion Fund. This would apply on the Spain/ France, and Ireland/United Kingdom borders. In the former case the whole of the immediately adjacent area on the French side falls within Objective 5b, and in the latter, Northern Ireland is an Objective 1 region. Funding on the 'non-Cohesion Fund' side of the border should therefore be possible, at least for certain projects. The Commission should ensure that full coordination is carried out in such situations.

Close coordination is needed to ensure that all opportunities for environmental action under other Community funds are exploited. CAP reform, for example, offers opportunities for habitat conservation. 45% of LIFE is also allocated to the Habitats Directive. Such action should be a priority in view of the shortcomings in protection of specific land areas, and their consequent vulnerability to infrastructure development.

3.2.4. Issues requiring clarification

The new Treaty both states explicitly that the Community can take action on the environment (Article 3 (k)) and attaches considerable importance to the principle of subsidiarity (Article 3b) for all policies. It also states that it is primarily the responsibility of the Member States to implement and fund environmental policy (Article 130 S (4)). Nevertheless, in the case of 'certain measures of a Community nature', which 'involve costs deemed disproportionate for the public authorities of a Member State', Community finance under the Cohesion Fund will be available.

A measure of confusion arises from the above Articles. The seeds of future disagreement have already been shown : in footnotes to the Minutes of the Council meeting at which the Habitats Directive was agreed, Germany assumed that funding for the Directive would be drawn from the Cohesion Fund, while Spain recorded the assumption that it would not. Clarification is needed. Clear criteria should be agreed, as well as definitions of terms such as 'certain measures of a Community nature' and 'costs deemed disproportionate', in order to ensure transparency and to prevent a series of political battles over the eligibility of successive items of legislation for Cohesion Fund assistance.

4. INTERNAL POLICIES

4.1. Public Health

At Maastricht it was decided that public health should be a field of Community policy (Article 129) and that public health matters should be taken into account in other Community policies. The kind of actions in mind are notably prevention and information. As public health measures, as well as environmental and consumer protection measures, belong to the flanking policies for the completion of the Internal Market, it might be expected that as soon as this completion has been realised more legislation and more action in these areas will emerge. This can only mean that the amount for public health in future budgets has to rise substantially (for 1993 and as far as the Committee on the Environment, Public Health and Consumer Protection is concerned: 22,5 million Ecu, including mini-budgets).
The Commission refer specifically to cancer combatting measures as one of the areas which will need more attention in the future. The best approach to this is to reduce subsidies on tobacco. By reducing the costs of the tobacco-policy by 1% the budget for the Community action plan against cancer can be doubled!

4.2. Consumer protection

Consumer protection has also received welcome but long-awaited promotion to a special chapter in the Treaty. Article 129 A states that consumer protection is a field of Community policy where a high level of protection has to be reached. Unfortunately, the article does not state that consumer protection must be integrated into other areas of Community policy. Being an important flanking policy of the completion of the Internal Market and until now always treated as the Cinderella of the Community interests, the time has come for an "adult" consumer protection policy which can counterbalance the attention the Community gives to producers' interests. The Commission's Consumer Policy Service should be converted into an independent Directorate-General, and staffed accordingly. Its budget should enable the new DG to fulfil its enlarged tasks and tripling the budget might be necessary (for 1992: 19,2 mio Ecu including mini-budgets). This would e.g. enable the Commission to implement succesful experiments in legal assistance to consumers on a Community scale. It should not be forgotten that consumer protection is also an important aspect of a "Citizen's Europe". The support therefore should not stop with lip service.

4.3. Environment

According to "Maastricht" environment has become a "priority" of Community policy. The new Article 2 states moreover that the Community strives for "sustainable growth. Any optimism that this implies substantial funding for Community environmennt policy is dashed by Article 130 S (4): "the Member States have to finance the Community environment policy themselves, except for certain measures with a Community character and measures with high costs, in which case the Cohesion Funds can intervene for Portugal, Spain, Greece and Ireland."
Community action is therefore limited to:

a. legislation and economic and fiscal incentives
b. monitoring how the legislation is implemented
c. research: how can technology resolve environmental problems?

4.3.1. Legislation

Present and future environmental legislation has tremendous financial consequences for local, regional and national authorities. To give some examples:

- directive concering municipal waste water treatment
- directive (to be proposed) on the incineration of waste
- proposed regulation for landfill of waste.

However, implementation of legislation, the monitoring of national measures and the monitoring of the execution of international environment conventions, will cost money, Community money for which the present budget of DG XI (Environment, Nuclear Safety and Civil Protection) is too small.

4.3.2. Technology

Environmental pollution can be combatted in two ways:

- reduce the polluting activities to a level the environment can handle, or
- find technologies that solve the pollution society produces.

Just as the case with the necessary investments mentioned in paragraph 4.3.1., research will stimulate employment and by having higher environmental standards as other western countries the competetiveness of European industries will, in the long run, improve.

5. EXTERNAL POLICIES

Environmental aspects in the Community's external policies appear in the PHARE-programme and aid to developing countries.

PHARE already allocates considerable sums to the environment: up to around 25% of the 2,250 million budgeted for the programme for 1990-1992. Alas, as a result of the unimaginably irresponsable way the former communist regimes took care of the environment and the natural resources, every amount thinkable within a Community budget will remain a drop in the ocean. Nevertheless, the Community should continue its efforts in this field and enlarge them, at least as far as the environment is concerned, to the C.I.S. (Community of Independant States). The amounts necessary will therefore have to be counted in billions of Ecu rather than millions.

Community assistance in the environmental problems of developing countries should be focused around the following two points :

- the idea that most pollution derives from the "North" and that the "South" has a fundamental right to development (and alas therefore to pollution as well). Therefore the transfer of technology to enable sustainable growth, as is pointed out in art. 137 of the "Maastricht" treaty, is very needed,
- conserving tropical rain forests. The 50 m ECU in the 1992 budget is a good first step, but many more have to follow,

6. Administration expenditures

The increased Community interest in the environment, public health and consumer protection and the increase in their budgets must also be reflected in staff numbers.Although a small number of national and other experts has advantages, such as exchange of staff with ministries or the availability of specialised know-how, and although some auxiliary staff is desirable to respond to flexible needs, the present proportion of established to non-established staff is not sustainable. Moreover, since all three fields are flanking policies, they will become more important after the completion of the internal market and so require more staff.

This means that greater funding will have to be available or that a part of the staff now working on the completion of the internal market will be transferred to complete their job in the flanking policies, such as environment, public health and consumer protection.

7. Reserves

The past years have shown that emergency Community aid is not only needed for natural disasters. The Gulf war and the Chernobyl accident have made it clear that environmental catastrophes also require Community action. It might therefore be appropriate to reserve in the Community budget an amount for environmental catastrophes.

8. Own-resources

In the three publications concerning the Community's own-resources nothing is said about the possibility of a Community energy tax, as was proposed by the

Parliament in one of its amendments on the Life Programme (am. 29, Parliament's minutes of 12 September 1991). A small portion (perhaps 1 %) of the revenue should accrue to the Community budget, the rest being refunded to Member States.
An overall energy tax (with exemption nonetheless for environmentally sound forms of energy such as solar and wind), including taxation of nuclear energy, is to be preferred. Such taxation would also fulfi the requirement that richer members of the Community should contribute more to the EC budget than the poorer as the richer consume more energy than the poorer.

9. CONCLUSIONS

1. Exact predictions of the budgetary consequences of "Maastricht" concerning the environment, public health and consumer protection, are not possible at present, due to uncertainty about the Commission's plans and due to lack of data what investments are needed to implement the community environmental legislation.
2. As a general principle, over the lifetime of the new financial perspectives, the EC budget should become a 'budget for sustainability'. All payments from the budget should become conditional upon sustainability requirements.
3. CAP payments should be made conditional on environmentally acceptable farming practices (as set out in the 5th Environmental Action Programme).
4. The new Structural Fund regulations should set environmentally sustainable use of natural resources as a fundamental principle of regional development.
5. Cohesion Fund assistance for infrastructure should be conditional upon the prior agreement with the Commission of national environment plans. These should give priority to the correct transposition and application (with provision for appropriate training) of legislation to control infrastructure development (e.g. Environmental Impact Assesment, Birds Directive, Habitat directive).
6. These plans should also stipulate the other areas for funding - water quality, waste management, etc. Clear targets and timetables should be set. Infrastructure funds should be suspended if these are not met. Coordination with other funds should be stipulated.
7. The two parts of the Fund should be presented separately in the budget, with a further breakdown into individual areas of environmental action. Management of the environmental portion of the budget, as well as responsibility for negotiating the national environment plans, should lie with DG XI (Environment, Nuclear Safety and Civil Protection).
8. Cohesion Fund transport plans should take full account of environmental requirements : reduction of emissions in line with the Community's commitment on CO_2, giving priority to public rather than private transport, and meeting real transport needs and benefitting the regions.
9. The Commission should clarify terms such as 'disproportionate costs', in order to establish clear criteria for eligibility for funds.
   Information on Cohesion Fund projects must be freely available to the public and to Parliament, and opportunities must be provided for public consultation.
10. Although the member states have to finance measures resulting from Community environment policy, greater funding in the Community budget is necessary to develop new initiatives and monitor existing legislation.
11. The growth of Community involvment in public health implies higher levels of funding.
12. Substantial funds should be allocated for fundamental environmental research, R&D should be directed towards sustainable technologies and production processes.

13. A Community Consumer protection which can counterbalance the Community's interest for producers requires a considerable increase of the CPS budget. Successful experiments on a number of consumers' interests should be transformed into Community-wide action.
14. The environmental part of the PHARE programme must be continued and enlarged to the members of the Community of Independant States.
15. Developing countries should be able to rely on Community support in the transfer of technology to assist them in realizing sustainable development. The aid for tropical forests (50 million ECU in the 1992 budget) must be continued.
16. The staffing of the services responsible for public health, environment and consumer protection should be in line with the growing importance of those flanking policies.
17. Reserves should be foreseen for environmental disasters.
18. In the own-resources for the Community an energy tax should play a role.

OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on Culture, Youth, Education and the Media
for the Temporary Committee on the "Delors II package"
Draftsman : Miss Patricia RAWLINGS

At its meeting of 25 March 1992 the Committee on Culture, Youth, Education and the Media appointed Miss Patricia Rawlings draftsman.

At its meeting of 13 April 1992 it considered the draft opinion.

At that meeting it adopted the conclusions as a whole unanimously.

The following took part in the vote: La Pergola, chairman; Banotti, first vice-chairman; Fayot, third vice-chairman; Rawlings, draftsman; Barrera i Costa, Coimbra Martins, DÜhrkop-DÜhrkop (for Rubert De Ventos), Elliott, Escudero, Fremion, Kellett-Bowman (for Stewart-Clark), Larive, Maibaum, Oostlander, Pack and Vecchi (for Barzanti).

INTRODUCTION

In the last three years we have witnessed great historical changes. The abandonment of totalitarian governments in Eastern and Central Europe, the Gulf War, the break up of the Soviet Union and, not least, the near completion of preparations for the Single Market have all been of extreme importance for the European Community. Against this background of change, the Community has set its major priorities as the establishment of social and economic cohesion, an increase in its economic competitiveness in world markets and the expansion of its international responsibilities.

In the Communication, 'From the Single Market to Maastricht and beyond : The means to match our ambitions' the Commission has formally set out these priorities for the Community.

EDUCATION AND TRAINING

From January 1993 the Community's ability to compete in world markets, its rate of innovation and thus its future economic growth will depend largely on the skills and knowledge of the human ressources within the Community. Such investment can only take the form of an improvement in education and vocational training. Despite recognizing the importance of human resources for future competition, the Commission fails to relate this to the importance of improving education and vocational training facilities within the Community.

Despite the existence for several years of a number of Community programmes in education and training such as ERASMUS, COMETT, LINGUA, PETRA, the Commission itself accepts in its 'Mémorandum sur l'enseignement supérieur' that by the year 2000 there will be a general shortage of suitably qualified people in the growth sectors of the Community. Eventually the demographic decline in Europe will lead to acute shortages in the labour market, further hindering the growth potential of the Community.

Whilst welcoming the Commission's recognition of the national diversity of the Member States' education systems and the need to apply the principle of subsidiarity in this field, the Rapporteur must stress the need for a Community-wide dimension in both education and training. The general objectives they set in both activities, including the promotion of wider language skills, greater mobility and adaptability, are laudable. However, in the light of the importance of training and education in improving competitiveness and, moreover of the vital importance of the younger generation in ensuring the success of both the social and economic dimensions of Maastricht, the Commission must do more in this field.

Gains in competitiveness can only be realized if the Community develops coordination and cooperation programmes at all levels of education from elementary through to further education and vocational training. Real improvements in these two sectors can only occur if the Community's programmes are given sufficient finance and administrative support.

CULTURE

Social cohesion is the cement of the Community. Throughout the communication the Commission fails to recognize the role that culture could play in achieving such cohesion through promoting mutual respect and understanding between countries.

For a long time the European Parliament, recognizing the importance of culture, has been lobbying for its inclusion in the Community's powers. This was granted by Article 128 of the Treaty of European Union which states that the Community, whilst respecting the principle of subsidiarity, should encourage the knowledge and dissemination of culture in the Member States as well as the development of a shared European cultural heritage.

In order to achieve its objectives the Community must initiate a programme to improve public access to areas of cultural interest and increase public awareness of the cultural riches and specific cultural events in the Community. The Rapporteur believes that the vital importance that culture could play in the development of the Community can only be realised if sufficient funds are allocated to this sector. Furthermore, gains from cultural initiatives can only be maximised if culture is viewed as an integral part of the social dimension. No policy area can be treated in isolation ; they are all interdependent and have a role to play in the realisation of Maastricht's ambitions.

BUDGET

The document from the Commission predicts an increase in the budget for the next five years of 3.500 million ecus for ensuring the improvement of European competitiveness, 30 % of which will be spent on infrastructure, transport and telecommunications, a further 30 % on improving human resources and the remaining 40 % on research and development in industry. The Committee on Culture, Youth, Education and the Media only has access to that part of the budget targeted for investment in human resources.

The Community aims of achieving social cohesion and cooperation as well as improving economic competitiveness will only be realised in full if sufficient finance and administrative support are made available for cultural, training and educational initiatives.

CONCLUSIONS

The Committee on Culture, Youth, Education and the Media recommends that the Temporary Committee on the second Delors package incorporate the following amendments in its resolution:

The committee

1. Believes that it is only through the education and training of younger generations that the Community will realize the social and economic dimensions of its ambitions laid out at Maastricht.

2. Stresses that the widest possible availability of educational and training provision is vital in enabling all Community residents to develop their knowledge and skills to their fullest potential, thus enriching their lives and opening up new opportunities for them, as well as ensuring the competitiveness of European firms in world markets.

3. Encourages the Commission, whilst respecting the principle of subsidiarity, to develop a programme to incorporate a European dimension into all stages of education from elementary onwards and not just in further education and vocational training promoting mobility and adaptability.

4. Hopes that the Commission and Parliament will play their part through educational and cultural projects and that they will where appropriate broaden and deepen existing programmes in these sectors, to take account of the new powers laid down in the Maastricht Treaty.

5. Stresses the incomparable intrinsic value of culture and its importance as a manifestation of European identity and diversity, and emphasizes once more its potential as a contribution to solidarity and social cohesion and hence to the success of the Community.

6. Considers that Europe's multicultural future will require an increase in the number of programmes and a financial increase in the field of education and training, to prevent and avoid any form of discrimination.

7. Considers that Community policy in the fields of education and training, culture, the media, sport and youth must guarantee the cultural diversity of the nations and the regions, inasmuch as this is part of the European identity.

8. Encourages the Commission to develop a Community-wide programme for the help of promotion of cultural events.

9. Encourages the Commission to take measures to facilitate increased contact and exchange between the cultures of the countries and regions of Europe.

10. Calls on the Commission to take more account of the cultural aspects of regional development (Objectives I and II).

11. Demands that education and culture be included in the technological aid programme for the CIS states.

12. Considers, in view of the inclusion of the fields of education and culture in the Treaty on European Union, that the greatest possible attention must be given to human and budgetary resources in the negotiations on the second Delors package, as this inclusion will require substantial increase in the sum earmarked for educational and cultural policies in the headings of the present budget and the corresponding headings of the European Social Fund.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Development and Cooperation
for the Temporary Committee from the Single Act to Maastricht
and beyond

Draftsman: Mrs Ursula BRAUN-MOSER

At its meeting of 27 March 1992 the Committee on Development and Cooperation appointed Mrs BRAUN-MOSER draftsman.

At its meeting of 21 April 1992 it considered the draft opinion.

At its meeting of 22 April 1992 it adopted the conclusions as a whole with 1 abstention.

The following took part in the vote: Mr Chiabrando, Vice-Chairman, acting Chairman; Mrs Braun-Moser, draftsman; Mr Andrews, Mrs Bindi, Mrs Cassanmagnago-Cerretti (repl. Mr Verhagen), Mrs Conan (repl. Mr Telkämper), Mrs Ernst de la Graete (repl. Mr Melandri), Mr Laroni, Mrs Lehideux, Mr Mantovani (repl. Mr Parodi), Mr McGowan, Mr Pons Grau, Mrs van Putten, Mrs Sandbaek (repl. Mrs Ewing), Mrs Simons, Mrs Tazdaït, Mrs Valent (repl. Mrs Napoletano).

Introduction

In spite of its shortcomings, the Maastricht Treaty on European Union is overwhelmingly accepted by the European Parliament following its vote on the Martin Report. The objective of this opinion is to judge whether the so-called Delors II Package entitled "The means to match our ambitions" can provide the financial resources for the implementation of the Maastricht provisions. The responsibility of the European Parliament in assessing the Delors II Package must necessarily be both political and budgetary, because Parliament remains the primary budgetary authority as far as expenditure is concerned; it is also the initiator of political reforms.

The new balance of power and responsibilities of the Community Institutions has been achieved by the Maastricht Treaty. This is manifest in a number of sectors and policy areas including the environment, research, structural funds and external policies. The common thread which links the reforms is that of cohesion: namely, greater cohesion between the actions of the European Community and its Member States. Indeed, it is a truism to suggest that cohesion must form the basis of European Union. For cohesion, and therefore European Union to become a reality and not just apparent, the financial resources of the Community will need to be commensurate with clearly defined ambitions and agreed priorities.

The first question is in fact whether the priorities of the Delors II Package are the priorities of the European Parliament.

The Delors II Package provides the guidelines for budgetary expenditure from the date of implementation of the Maastricht Treaty until 1997. It constitutes the basis of what will be in effect a new "Inter-Instututional agreement" between the Community Institutions.

The Commission proposes that by 1997 the Community budget be increased from the 66 billion ECU at present to 86 billion ECU; an increase of 20 billion ECU.

Not all of this increase will be **additional resources** because a considerable portion will be a **transfer** of resources from Member States' budgets to the Community budget resulting from the agreed shifts in responsibility to the European Community. As a consequence of this, it would not be correct to consider this type of expenditure as being part of an overall increase of expenditure by national exchequers.

In considering increases in the Community expenditure it should also be recalled that the underlying rationale of European Union in economic terms is the improved prospect for economic growth at a faster rate than would otherwise have been achieved. The Ceccini Report considered that, even on a pessimistic assumption, an additional one per cent increase in Community GDP could be achieved each year as a result of the creation of the Single Market. Member States and the Community should thus be in a position to augment both their wealth and trade benefits. It is therefore reasonable to believe that the European Communtiy is well placed to raise its own ceiling of expenditure by what is required by its political objectives.

The external action of the European Community

The external responsibilities of the European Community and its ability to exercise them have been increased by the Maastricht agreement. Even though it must be remembered that an efficient and credible foreign policy is by no means the mere reflection of its financial cost, sufficient resources attached to clear priority areas of activity are a necessary pre-requisite for political coherence and determination. In this context, the development and cooperation policy of the Community, now formally recognised by the Maastricht Treaty, must be able to fulfil the pressing demands made upon it, initiate and propose specific priority targets, and balance the Community's overseas commitments within the new multi-polar political environment.

The Commission's proposals, on paper, indicate an awareness of Europe's role in the international arena. The Commission's primary ambition appears to be situated towards the countries of Central and Eastern Europe and the Commonwealth of Independent States, which stand to benefit not only from technical and balance of payments support, but also from food-aid commitments. Few would question the importance of such an approach. Yet in order to quantify the sums of money required, a much clearer picture must be drawn of the precise ways in which financial resources are to be spent and the proposed guidelines respected. The Commission's proposals fall far short of a "Marshall plan" of action.

As far as developing countries are concerned, the European Community has only recently embarked with its ACP partners on the application of the Fourth Lome Convention. 12 billion ECU, the financial envelope for the first five years of Lome IV, are yet to be budgetised. This represents an anomalous situation compared to the Community's policy of development and cooperation with the countries of Asia, Latin America and the Mediterranean for which resources are provided by the Communtiy budget.

Both in its Lome policy and its policy towards other developing countries, the European Community has gained considerable experience and it is worthy of note that the Community is increasingly called upon, within developing countries, to coordinate Member States' actions.

The Delors II Package refers to the multiannual financial framework within which development and cooperation policy regularly operates and for which the European Parliament has fought for a long period. However, even though marginal improvements in development spending in Asia and Latin America and the Mediterranean have been obtained in recent years, they have fallen short of the real requirements that the Development Committee estimated as being necessary for the effective application of development programmes. It is therefore not surprising that in spite of proposals which will tend to increase total resources allocated to external action, the bulk of these are to be destined for Eastern Europe and the Commonwealth of Independent States.

Without calling into question in any way the Community's political and moral commitment to these countries, the Development Committee considers that more imagination and assurances are required in the development section of the Delors II Package.

The Development Committee believes that a clear priority should be established to provide the necessary means for the European Office for Emergency Humanitarian Aid to be effectively launched. It is to be recalled that an agreement has been reached whereby in the near future, a Commissioner is to be made specifically responsible for this agency, which will be of capital importance for the Community's actions in relation to the world's most vulnerable nations. It is therefore not sufficient for the Commission to merely speak of 900 million ECU placed in reserve for exceptional requirements, additional emergency aid, etc. without them quantifying the resources which should be allocated for the efficient operation of the European Office for Emergency Humanitarian Aid. Certainly, the establishment of a reserve is both necessary and desirable in order to avoid the laborious procedures involved in adopting supplementary measures. But a reserve fund is not a development policy.

It is equally unsatisfactory for the Commission to consider that expenditure on traditional programmes of food-aid "should remain more or less stable in real terms". The provision of food-aid to developing countries as an integral part of their food policy linked to the struggle for food self-sufficiency, may be equated to a structural development support. In many countries, considerable advances have been made in food production. However, demographic increases and what appears to be serious climatic uncertainty only serve to emphasise the fact that as the world's major food producer and exporter, the European Community has a responsibility to increase both the quantities and the costs related to a proper food-aid development policy. Already in 1992 when the provision of milk powder was being considered for Cuba, Commissioner MATUTES had to admit that adequate supplies were not available. One only has to recall the extreme difficulties experienced by the Commission in assessing the transportation costs of food-aid to understand the inadequacies of the Delors II Package in this respect.

The competing demands made on food-aid by the countries of Eastern Europe should also be noted.

A supplementary budget is already being considered in 1992 in order to provide an additional 200 million ECU worth of food-aid, which is feared to be inadequate given the needs of the Horn of Africa, Southern Africa, the Kurds in Iraq and Iran, Afghan refugees and so on. Would it not be in the interests of both the Commission and the other Community Institutions to draw lessons from repeated exercises of this kind which have demonstrated the short-sightedness of the Commission's budgetary directorate.

The emergence of new democratic political institutions is not a phenomenon reserved for the countries of the ex-Soviet block. More and more developing countries find themselves locked into political developments which aim to end years and years of corruption, nepotism and arbitrary rule. Such changes have a cost attached which is at least as much in Africa as in Eastern Europe, for the human tragedy generated by the failing of the democratisation effort could generate millions of refugees. Given the undertakings contained in the Maastricht Treaty in relation to human rights, the Community must register its support for the democratisation effort in the developing countries even more clearly than it has done until now. This is one way where the principles on which our foreign and security policies are based can also be related to our development policy.

The combined effects of the GATT negotiations and the creation of the single market could impact badly on several of the weakest developing countries, even though others may stand to benefit. These facts only emphasise the essential role which the European Community must continue to play in developing the manufacturing, production and transformation potential of developing countries, assisting them as they struggle to compete in a more competitive and more liberal international trade regime. Such a policy as this involves many different types of development programmes and projects.

Whereas it is manifestly true that the European Community alone cannot shoulder the entire responsibility for providing assistance to the developing countries of Asia, Latin America, Africa and the southern Mediterranean, and whereas the Community should continue to urge the United States and Japan in particular to increase their development commitments given their pitifully low levels, the Community should not forget that it has a vocation and a responsibility to take the lead in such matters.

In line with its increased financial commitments, the European Community must be allowed to take its seat on the executive committees of the various United Nations Agencies to which it contributes substantial resources. It should also play a full role within other multilateral agencies.

<u>Conclusions</u>

1. The Delors II Package, while proposing the allocation of additional resources for external actions of the Community, does not go far enough in recognising the specific requirements of development and cooperation policy as contained in the Maastricht Treaty and as practised by the Community over many years; that is, a development policy coherent with other policies;

2. Specific proposals should be made to underwrite the European Office for Humanitarian Aid which must be allowed to develop to its full potential between now and 1997; it should in particular initiate and control efficient humanitarian aid policy and activity;

3. The new measures which seek to provide support and assistance to Central and Eastern Europe and the CIS and which merit our full support, should not be detrimental to the traditional development aid resources provided through the Community budget or through the EDF, which should be budgetised as well, avoiding any imbalance between solidarity shown for the East as compared to the South;

4. A more thorough analysis must be made of future structural food-aid requirements and of exclusively emergency aid, and appropriate proposals made to increase volume and expenditure, in consultation with the World Food Programme and the UN Food and Agriculture Organisation, of which the Community is a full member;

5. Whereas a reserve fund for emergency actions is essential, the resources proposed (900 million ECU over five years) fall short of probable needs. Under no circumstances should the reserve fund be considered a panacea for a proper aid and development commitment;

6. Environmental actions in developing countries are likely to require more resources if the World Summit on Environment and Development (UNCED) is to lead to a successful new initiative being taken; it will be necessary in particular to release important resources to assist developing countries to resolve the problems of poverty and of environment;

7. Efforts to democratise developing countries require both a political and a financial support from the European Community; this priority, supported by the Council, the Commission and the Parliament must be made evident in the Delors II Package.

OPINION

of the Committee on Budgetary Control

Letter from the chairman of the committee to Mr COLOMBO, chairman of the Committee on 'Maastricht and Beyond'

Strasbourg, 9 April 1992

Dear Mr Colombo,

At its meeting of 7 April 1992 the Committee on Budgetary Control considered and adopted the contributions by its various draftsmen to the opinion for your committee on the set of texts submitted by the Commission on the theme 'From the Single Act to Maastricht and Beyond'. These contributions are attached.

Throughout its discussions, our committee has repeatedly expressed the hope that, during negotiations and at the time of the interinstitutional agreement on the financial perspective, Parliament should take care to obtain guarantees for the improvements called for in the various contributions.

I must also point out that the opinions of the members of our committee were divided on the question of application of the agricultural guideline and on the need to fix and keep to it product by product.

Finally, the documents submitted by the Commission include passages assessing the operation of financial or budgetary procedures or mechanisms. These assessments are often much too optimistic. Such over-optimism has been pointed out by the various draftsmen of my committee in the attached contributions. I myself would point out that in the document 'The Community's finances between now and 1997', paragraph 3.1., p.9 on budget management errs in excessive optimism by making a partial and arbitrary presentation of developments over recent years. The main document itself, assessing the financial reform of 1988, is very reticent about compliance with the sub-ceilings of the financial perspective and the ability of the interinstitutional agreement to avoid 'petty wars', passing over the fact that the Court of Justice had been called in.

Yours sincerely,

(sgd) Alain LAMASSOURE

All the contributions were adopted unanimously.

The following were present for the vote: Lamassoure, chairman; Napoletano, Blak and Holzfuss, vice-chairmen; Goedmakers, Nielsen, Price, Sarlis, Simons (for Colom I naval) and Tomlinson.

CONTRIBUTIONS TO THE OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

- Financing

  Draftsman: Mr Pavlos SARLIS

- Interinstitutional agreement and financial perspective

  Draftsman: Mr John TOMLINSON

- Budgetary discipline and agriculture

  Draftsman: Mr Edward KELLETT-BOWMAN

- External relations

  Draftsman: Mr Martin HOLZFUSS

- Competitiveness

  Draftsman: Mrs Diemut THEATO

- Structural funds

  Draftsman: Mrs Annemarie GOEDMAKERS

E U R O P E A N   P A R L I A M E N T

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the 'Maastricht and Beyond' Package, section on 'financing'

Draftsman: Mr Pavlos SARLIS

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23 March 1992

OR. FR.
DT 204519

OR.FR

This contribution to the opinion of the Committee on Budgetary Control on the Delors II Package will attempt to review the Community financing system and in particular the results of decisions taken as part of the Delors I Package, first of all by drawing together the various analyses carried out by this committee in preparing successive reports on the discharge, and then setting out an evaluation of the various documents submitted by the Commission in respect of the Delors II Package.

I. The system's increasing tendency to depart from its original purpose and the effective abandonment of the goal of financial autonomy.

Any assessment of the effectiveness of the budget financing system - the part concerned with revenue - must take into account the goal that was set for this system when it was first devised in 1970, namely the need to guarantee the European Community's financial autonomy. This autonomy was to be achieved through 'own resources', belonging to the Community from the outset and characterized by a direct link between the taxpayer and the European Community. In reality, however, with the definition of own resources growing ever looser, the prospects of achieving the objective of financial autonomy have gradually faded.

Traditional Community resources

Only what are known as traditional resources (customs duties and levies) can be suitably described as 'own resources', as the way in which they were and still are levied and paid corresponds to the original plan: although they are established and collected by national officials, the necessary operations are conducted from the outset on behalf of and for the benefit of the European Community, on the basis of Community legislation.

However, if the Commission fails in its task of ensuring that Community law is uniformly applied, this decentralized approach, although desirable could have the effect of undermining the Community's financial autonomy. Variations from one Member State to another in the methods used to collect own resources would not only be unfair, but would also represent a renationalization of the system.

The Commission has two duties to perform in this respect.

Firstly, whenever weaknesses in the rules come to its notice, it should propose improvements. There have been several occasions when the Commission has not only failed to do this, but has also rejected amendments proposed by Parliament, or the Court of Auditors, relating for example to the customs code, the customs warehouse procedure, certificates of origin or the generalized system of preferences.

Secondly, the Commission should monitor national procedures and check that these conform to Community legislation. The Court of Auditors has however recorded a whole series of cases where national authorities deviate from Community legislation without any practical action being taken by the Commission. The most recently reported case involves the handling of anti-dumping duties.

VAT and GNP resources

The attempt to achieve financial autonomy first ran into difficulties when VAT was to be established as one of the Community's own resources. The system that was eventually adopted after a long series of setbacks removed the direct link between the taxpayer and the Community, particularly in the way that statistical and economic factors were included for the purpose of determining the basis of assessment.

However, what occurs in practice undermines financial autonomy far more than the rules themselves. It would be quite impossible for VAT revenue to maintain the characteristics of an own resource if it were considered as the Community's share of a resource common to Member States and the Community. In this case the VAT base, if not the rates, would have to be harmonized. The Court of Auditors has however established that, in a whole range of situations, the methods used by Member States to define their VAT base diverge to a greater or lesser degree from Community law. This gives rise not only to unequal treatment as between Member States but also to the danger that some may reduce their contribution to a minimum. It is of course the Commission's responsibility to propose appropriate measures in order to harmonize methods of calculation.

II. The Commission proposals represent a move towards the renationlization of the Community budget

The report reviewing the system of own resources in the wake of the 1988 decision answers important questions concerning fairness of taxation and the system's cost-effectiveness (chapters 1 and 2). It then attempts to analyze whether the system is capable of establishing Community financial autonomy (chapter 3). At this point the report becomes confused, involved and contradictory. The biggest contradiction lies in the Commission's continued references to VAT and GNP resources as own resources while classifying them elsewhere as national contributions, quite rightly pointing out their drawbacks as such.

Having demonstrated the need to reassert the objectives of financial autonomy as a matter of urgency, the Commission attempts to justify its failure to act and its inability to restore a true system of own resources:

- it sets out criteria for a possible fifth resource which are quite fair but which represent an ideal;

- it puts forward only three rapidly prepared formulae for a new resource and has not seriously considered setting up such a system;

- the conditions it imposes on the establishment of a new own resource are either purely technical or arbitrary; undermining the Community's financial autonomy will lead to the erosion of Parliament's budgetary powers as regards both revenue and expenditure. If a link is established between the Community's financial autonomy and the powers of the Parliament over revenue a vicious circle arises in which progress on both these fronts becomes impossible. On the other hand, establishing greater financial autonomy will open the way for greater democracy.

- moreover, the Commission appears unaware of the effect of 'supplementary' resources on the functioning of the system and financial autonomy.

The need to balance the budget means that the level of revenue is fixed according to the level of expenditure. The level of supplementary revenue therefore determines the rate by which the budget can be increased. The Commission proposes to use GNP-based resources for this purpose of supplementing revenue, thereby giving Member States control over changes in the budget.

The failure of the revenue system to adhere to its original purpose has led to corresponding distortions in expenditure; all allocations of aid are determined according to the criterion of redistribution to Member States. With the need to ensure a 'fair return' on Member States' contributions assuming priority over political and economic objectives, considerations as to the effectiveness of such aid are relegated to second place. Only in exceptional cases are precise economic objectives specified in the rules. It is therefore easy to find, as the Court of Auditors frequently does, examples of contradictory and illogical funding, as well as aid spread too thinly to be effective. It is therefore evident that budgetary redistribution does not constitute economic redistribution, and the economic gap between the richest and poorest regions continues to widen.

III. Financing through borrowing

The Commission has submitted a report on the treatment of borrowing and lending operations in the budget. The following comments can be made regarding budgetary monitoring and control:

- The criterion of ensuring consistency of policy must be as strictly applied to borrowing as to other methods of financing. Attempts at coordinating the various borrowing and lending instruments in relation to each other as well as with other financial instruments have hitherto been of a purely administrative nature. This is mainly due to the vagueness and lack of precision of economic policy objectives.

- The supervisory powers that the Parliament wishes to exercise over financing should not be limited to verifying that accounts have been properly kept. Parliamentary monitoring and control is, by nature, political. This means that all operations should be fully included in the budget. As far as the EIB is concerned, there is a legal obstacle in the way of such monitoring and control; a large proportion of its activities are funded by equity capital provided by the Member States. It would therefore be expedient for contributions to the EIB's capital reserves to be made by the Community as such, which would have the effect of subjecting the EIB to the general system of budgetary monitoring and control,

- the Commission must be in a position to report annually on trends in the solvency of the beneficiary countries so that sufficient reserves can be established to cover the risks.

IV. Conclusions

1. The Commission has based its Community financing proposals on an over-optimistic appraisal of the way the system has functioned since 1988 and on an unacceptable analysis of policy.

2. The 1988 decisions, accepted by Parliament as a provisional, makeshift arrangement, the quid pro quo for an overall solution to the financial crisis prevailing at the time, have considerably exacerbated the erosion of financial autonomy, posed a serious threat to Parliament's budgetary powers in respect of revenue and irreversibly deflected expenditure from its original purpose.

3. Parliament cannot accept an indefinite postponement of the process of restoring the Community's financial autonomy. It is therefore a matter of urgent necessity for Parliament to take firm and effective action to counter this inaction and laxity which is undermining the Community's foundations.

   - If the Delors I Package is succeeded by a Delors II Package going further along the same lines, there is clearly a risk that this formula and its principles will become institutionalized. The Community will thus live from package to package, its progress subject to ratification by Member States and punctuated by quarrels as to 'who is paying for Europe'. This danger is all the more real in view of the possibility of new accessions before the end of the period covered by the package under consideration.

   - The Commission itself points out that a clear majority of Community citizens would be prepared to pay a tax directly to the Community as of now.

   - In many countries national parliaments are extremely reluctant to upset the balance of their national budgets by burdening them still further with contributions to the Community.

   - Senior officials at national level have come out in favour of financial autonomy being restored.

4. The section on 'financing' in the 'Delors II Package' is not acceptable as it stands

   - without the alterations and additions proposed in this document, which aim at establishing a long-term financing system that will restore the Community's financial autonomy, and

   - unless the Commission first submits specific and fundamental proposals for a new Community resource establishing a link with the individual taxpayer, thereby redressing the current imbalance between government contributions and the contributions of European citizens.

E U R O P E A N   P A R L I A M E N T

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the
outcome of the Maastricht summit:

INTER-INSTITUTIONAL AGREEMENT AND FINANCIAL PERSPECTIVE

Draftsman : Mr John TOMLINSON

19 March 1992

OR. EN
DT 205159

OR. EN

INTRODUCTION

The Inter-institutional Agreement and its related Financial Perspective for the period 1988-92 have provided the implementing mechanism for the Council Decision of 24 June 1988 on Budgetary Discipline. The legal validity of all these texts expires at the end of 1992.

In general terms, the draftsman supports the principle of budgetary discipline as a means of ensuring coherence between political and budgetary decisions, so long as the mechanisms put in place do not one-sidedly favour Council decisions as against those of Parliament.

At a more specific level, experience to date has revealed a number of shortcomings in the present arrangements, which will need to be resolved in the new texts. Certain of these problems, and in particular the need to ensure that budgetary discipline in the farm sector is actually achieved in future, are looked at below.

GENERAL PROBLEMS

Application of the provisions of the Inter-Institutional Agreement regarding revision of the Financial Perspective has given rise to certain difficulties from Parliament's point of view.

(a) **Determining when a revision is permissible.** Article 12 of the IIA provides for revision by joint decision of the two arms of the budgetary authority, in accordance with the majority rules specified in Article 203(9) of the Treaty. Council has held to the view that use of the margin for unforeseen expenditure should be confined to measures made necessary by circumstances not originally foreseen, and specifically to external policy. The result has been recourse to Article 4 of the IIA, which requires unanimous decision in Council. Provision should be made in any new Agreement explicitly permitting revision on a broader basis, for instance following policy decisions to reorder existing priorities or to undertake new measures not arising from unforeseen developments.

(b) **Scale of possible revisions.** A related point concerns the scale of possible revisions. The question is whether the margin for unforeseen expenditure (currently 0.03% of GNP) should be treated as a one-off facility which is exhausted in line with successive revisions, or whether it may be reconstituted to permit repeated use. Parliament supports the latter interpretation, which should be made explicit in the new texts.

(c) **Rigidity of revision procedures.** Existing procedures for revising the Financial Perspective are lengthy and cumbersome. As such, they have undermined the Community's capacity for initiative and for rapid response to topical and urgent developments, notably in sectors falling within Category 4. Greater flexibility should be built into future arrangements, for instance by creation of a reserve for unforeseen expenditure (see below).

(d) **Revisions resulting from Council policy decisions.** In several cases, revision of the Financial Perspective has been the result of political decisions taken beforehand by Council. Parliament's margin for manoeuvre in such circumstances may in practice be reduced to negotiations on minor points of detail rather than on basic policy issues.

Any new agreements should be designed to ensure coherence between political and budgetary decisions, on the understanding that Parliament participates effectively in both types of decision.

PROBLEMS BY CATEGORY OF THE FINANCIAL PERSPECTIVE

Category 1 : EAGGF Guarantee Section

Parliament's particular concern in negotiating the present IIA was to achieve a better balance between compulsory and non-compulsory expenditure, and in particular between agriculture and other areas of expenditure. The Decision on Budgetary Discipline itself focussed almost entirely on the EAGGF.

However, disagreement persists between Parliament and Commission on the interpretation and relative weight of Article 6 of the Decision. The Commission continues to lay particular emphasis on respect for the overall agricultural guideline and on Article 8 of the Decision, which allows for transfers between chapters of the Guarantee Section (i.e. financial management). Parliament, on the other hand, like Council, stresses the primacy of Article 6 which requires the Commission to take prompt remedial measures in sectors where expenditure is exceeding the forecast profile or risks doing so (i.e. timely management of markets).

Timely management at chapter level is clearly crucial since, in the absence of adequate surpluses in some chapters to balance deficits in others, the guideline itself must inevitably come under pressure. This was in fact the case in 1991, when there was at one stage a real risk that the guideline would be breached.

To ensure that budgetary discipline does in future apply at chapter level, the draftsman therefore recommends setting expenditure ceilings by chapter of the Guarantee section. Transfers between chapters would remain possible within the margin between the budgetary provision and the ceiling for each chapter. On the other hand, any decision to revise a chapter ceiling would have to be subject to the rules governing revision generally, namely joint decision by the two arms of the budgetary authority.

Categories 2 and 3 : Structural policy and multiannual programmes

The main problems which have arisen from Parliament's point of view in connexion with Categories 2 and 3 concern (a) adjustments for inflation and (b) transfer of unused allocations to subsequent years.

At present, annual technical adjustments for inflation for the budget as a whole under Art.9 of the IIA are carried out in February of year n-1 on the basis of the data and forecasts available at that point. In Parliament's view, this adjustment should be followed by an ex post correction based on real inflation rates, particularly in respect of the allocation for the Structural Funds. Provisions to this effect should be written into the new agreement.

In the legislative decisions taken in 1988, allocations for Categories 2 and 3 were set as expenditure targets rather than ceilings. Consequently, in § 17 of the IIA, the two arms of the budgetary authority agree to respect the allocations in commitment appropriations in the Financial Perspective for the activities covered by these two categories. In addition, § 10 and 11 of the

IIA provide for adjustments linked to the conditions for implementation and for the transfer of allocations for multiannual programmes unused at the end of a given year to subsequent years.

These provisions are essential as means to achieving better balance between the different categories of Community expenditure and should therefore be maintained in the new arrangements.

Category 4: Other policies

The central problem arising in relation to Category 4 has been the need to find extra finance for unforeseen developments for which there was no provision (typically for humanitarian aid and for financial and technical assistance to third countries) and to do so urgently, that is, without needing to revise the Financial Perspective. Moreover, as mentioned above, it has been unclear during the 1988-92 period whether the margin for unforeseen expenditure may be used only once or repeatedly.

The solution urged by Parliament to these problems would be to create a contingency reserve within Category 6. Revision of the Financial Perspective would then be necessary only where the nature of the problem made it necessary to modify the scale or structure of Community spending in subsequent years. Decisions to mobilise the reserve should be taken by both arms of the Budgetary Authority on the basis of a single reading and of the normal majority rules. The Commission's proposals include creation of a contingency reserve (for an amount of some 300 mECU) for external policy. There is no a priori reason why the reserve should not be available also for internal policy.

Category 5: Refunds to Member States and administrative expenditure

A central problem with Category 5 has been the introduction of devices aimed at getting round the ceilings on Commission administrative expenditure, but which in practice have led among other things to decreased transparency of management and to non-uniform handling of administrative appropriations. Clearly, therefore, a basic requirement for the future is that ceilings on administrative expenditure be set on the basis of rigorous analyses of the staffing needs and resources of each institution. They should also be set on the understanding that all administrative expenditure currently financed under Part B of the budget (mini-budget and "hidden" mini-budgets) is included in Part A of the budget.

Expenditure on buildings has given rise to problems for all three institutions, on occasion entailing complex budgetary management manoeuvres and negotiations. It should in future be handled as a policy area in its own right, with a separate sub-category in the Financial Perspective and a mechanism for inter-institutional policy coordination and planning.

Category 6: Reserves

The central weakness in existing arrangements has been the lack of budgetary cover for guarantees for Community loans, which have of late increased considerably not only in volume but in terms of the risk of default. A new reserve should therefore be created within Category 6 to cover this contingent liability. The Commission proposes creation of such a reserve, leaving open the precise budgetary mechanisms (entry in annual budgets, or calling in of funds only as the need arises).

CONCLUSION

The central point of a general nature concerning the new inter-institutional arrangements on budgetary discipline is that they should provide for effective participation by Parliament in decisions giving rise to important expenditure or revenue for the Community budget.

The most important issue of a specific nature is that they be revised in such a way as to ensure that budgetary discipline in the farm sector is actually achieved in future.

EUROPEAN PARLIAMENT

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the
outcome of the Maastricht summit :

BUDGETARY DISCIPLINE AND AGRICULTURE

Draftsman : Mr Edward KELLETT-BOWMAN

20 March 1992

8. On the basis of the work of the Committee on Budgetary Control on the implementation of the Delors I package, the main topics which should be dealt with under this heading are the following :

Implementation of the "early warning system"

9. The Committee on Budgetary Control and Parliament in general consider Article 6 of the Council Decision of 24 June 1988 concerning budgetary discipline a very important part of the package of measures introduced in 1988 aimed at streamlining expenditure in the agricultural sector.

10. As it has been underlined in the Committee's report on the discharge for the 1990 financial year the obligation of budgetary discipline has yet to be fulfilled. It can reasonably be argued that this is mainly due to the Commission's reluctance to implement paragraph 6 of the above- mentioned Council Decision. That article states that "where the rate of development of expenditure is exceeding the forecast profile, or risks doing so, the Commission shall use the management powers at its disposal, including those which it has under the stabilizing measures to remedy the situation." It also goes on to state that should these measures be insufficient "the Commission shall examine the functioning of the agricultural stabilizers in the relevant sector and if necessary shall present proposals to the Council calculated to strengthen their action."

11. Since the entry into force of the Decision it has been noted that although the development of expenditure could justify the recourse to the above provisions the Commission has consistently failed to do so. Instead it has frequently opted for the application of Article 8 offering the Commission the possibility to deal with the non-availability of appropriations by proposing transfers to the budgetary authority.

12. Particular reference should be made to the fact that the Commission has refrained from using the possibility to propose to the Council measures to strengthen the actions of the stabilizers and to implement them when the Council has not decided within the two months deadline.

13. Although Article 8 of the Council Decision allows for the adjustment of the Budget by transfers at the end of the day, it is clear that the primary management role of the Commission is established by Article 6. It is only after that primary role has been exercised in full that Article 8 comes into operation to resolve what should be relatively small sums.

14. In connection with the recourse to Article 8 it should be taken into consideration that Article 2 of the Financial Regulation queries the legal possibility to increase expenditure on certain products.

15. The Commission tends to attribute the less than satisfactory way in which the early warning system functions mainly to some Member States' poor quality of forecasting expenditure under the EAGGF Guarantee Section. Although this is partly to blame for the considerable differences between on the one hand forecast, and on the other the development of actual expenditure (in the beef sector for example), it should not be used as a smokescreen for the Commission's own responsibility in this matter.

Financial / agricultural year

16. The view has been taken that budgetary discipline and in particular containing agricultural expenditure could be improved should financial and agricultural years coincide. Under the current state of affairs the latter runs from 1 April to 31 March.

17. Obviously this alignment can be carried out in two ways, either to make the agricultural year start on 1 January, or for the financial year to start on 1 April. Any proposals that the Commission may put forward to that effect should address a certain number of issues.

18. Starting the financial year in April would :

. require revision of the EEC Treaty (Article 203) which could not apply until 1997 at the earliest since the next Inter-governmental Conference is foreseen for 1995;

. cause difficulties arising from the fact that Member States' budgets run from 1 January;

. greatly affect enterprises in the private sector;

. have consequences on the Community's financial relations with third countries, international organizations, etc.;

19. If the agricultural year is to be brought forward to 1 January consideration should be given to the factors which lead farm prices to be currently fixed from 1 April (growing cycles of basic agricultural products). Moreover, the consequences of such a change on the fixing of prices, market organization, national accounting systems, etc., should be thoroughly examined

Recommendations

20. Maintaining and improving budgetary discipline in the agricultural sector should receive top priority from Parliament. This could be achieved by :

. insisting that the Commission use the powers conferred to it by Article 6 of the Council Decision of 24 June 1988; particular attention should be attached to its obligation to monitor and control the development of expenditure of the individual EAGGF Guarantee expenditure chapters;

. attaching strict conditions to the transfer of appropriations provided for by Article 8 of the Council Decision thereby offering Parliament real co-decisional power;

. taking appropriate measures both at Community and national level to improve quality of statistical data used in the context of the early warning system;

. possibly, aligning the agricultural and financial years.

21. The provisions of the Decision which have been unsatisfactorily implemented by the Commission should be reinforced to prevent such laxity.

E U R O P E A N   P A R L I A M E N T

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the outcome of the Maastricht summit:
EXTERNAL RELATIONS
(COM(92) 2000 FINAL
COM(92) 2001 FINAL)

Draftsman : Mr HOLZFUSS

23 March 1992

1. Introduction : Principles of external policy

The Community has by now acquired some thirty years' experience in the field of cooperation and development. Whatever difficulties may have been encountered in the past, this period has permitted the acquisition of a certain expertise and the development of reasonably reliable and effective working methods. While past Community action has largely been concentrated on the South (ACP, ALA and Mediterranean countries), it has brought to light a number of distinct general advantages in aid efforts being channelled through the Community :

- working methods are by now generally well-adapted to the problems they are intended to deal with, and ensure acceptably effective use of Community funds;
- by its very nature, Community action is multilateral, and thereby has the effect of precluding to a great extent the use of aid expenditure in the pursuit of limited national political interests;
- similarly, multilateral action favours a better coordination between the efforts of Member States and other bodies operating in the field of development aid. Moreover, the Community is both geographically and politically well placed to take on a leadership and coordination role in key areas.

None of this is of course to deny that there are problems to be overcome in the efficient and effective application of Community aid expenditure - the Committee on Budgetary Control is constantly engaged in efforts to improve the quality of spending - but one feels that the balance of the Community's experience in the field of aid is positive. On this basis, given also the intrinsic advantages of Community over national action, it is in the interests of all concerned that this field of policy should be expanded as envisaged in the Delors II Package.

2. Increasing responsibilities

The Maastricht Treaty was signed within the context of a rapidly changing world beyond the borders of the Community, and the Delors II Package acknowledges many of the implications this will have for Community expenditure. The importance of external policy lies not only in the moral imperative of encouraging democratic and economic development in the world, but also in self-interest. This is most immediately the case in respect of the Mediterranean and the countries of Central and Eastern Europe, but also applies to the Community's long-standing efforts in the developing world at large.

In all these cases, it is important to make a distinction between two essentially very different forms of intervention. On the one hand, the Community is engaged in a process of encouraging long-term sustainable development, through programmes of infrastructural improvements, structural adjustment, industrial and agricultural investment, etc. On the other, the Community is called upon to respond to short-term crises with emergency food aid and humanitarian relief operations.

3. Emergency aid

Recent programmes of emergency aid to the countries of Central and Eastern Europe and the C.I.S. have exposed serious weaknesses in the decisional, organisational and administrative methods employed by the Commission. Assessment of need appears to have been faulty - to the extent that beneficiaries have on occasion even re-exported goods to third parties. Moreover, funds have gone to waste through ineffective administration on the part of local partners, and corruption and fraud have been rampant, severely diluting aid expenditure and often discrediting the Community's efforts in the eyes of the (would-be) beneficiary population. All this has occurred in spite of the experience the Community has gathered over the years in emergency operations in developing countries, where techniques have been applied which would be equally suitable to the chaotic circumstances of Eastern Europe. Many of the difficulties encountered in recent operations may well arise from the misconception that emergency aid programmes in favour of Eastern Europe are qualitatively different from those undertaken in the developing world.

It is for this reason that the Committee on Budgetary Control supports the constitution of the new European agency for emergency humanitarian aid.

If the Committee is to back the increased funds to be committed to Central and Eastern Europe it must be convinced - more so than at present- that they will be better managed. The new Agency, which will coordinate aid on the basis of its type, rather than its beneficiary, seems the best hope of achieving this aim, provided it receives adequate financial and technical resources from the Commission.

4. Development cooperation

Similar issues arise in connection with long-term technical and financial cooperation, in that it is important not to forget the lessons learnt from the Community's past efforts in less-developed regions of the world. This said, the PHARE programme is one deserving of continued development. However, though it incorporates interesting ideas, it is seriously flawed in the field of monitoring and evaluation. As a long-term programme, its effectiveness and efficiency can only be maximised if the Community is able thoroughly to assess the impact of its operations so far, and carry out the fine-tuning which results.

Therefore, while supporting the vision of the Community's role contained within the Delors II Package, and the corresponding growth in spending, the Committee on Budgetary Control places a high value on an improvement in monitoring and evaluation as a pre-requisite of the expansion of the Communities' activities in Eastern Europe and elsewhere.

It would be appropriate in this context specifically to welcome one positive step in the direction of improved control envisaged by Delors II, namely that the Commission firmly proposes the budgetisation of the 8th EDF by 1995[1]. The budgetisation of the EDFs has long been a key demand of the European Parliament, and is indispensable if proper evaluation, monitoring and control is to be ensured.

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1 COM(92) 2000 final. Part II "External Action"

5. EIB loans and budgetary guarantees

The Delors II Package gives the EIB an ever-expanding role in the field of external relations, in particular under the Mediterranean protocols, and in the form of investment credits and balance of payments loans for the countries of Central and Eastern Europe. Such loans are of very specific concern to the Committee on Budgetary Control as they are invariably covered by a budgetary guarantee. Such concern is heightened in that loan exposure to countries in financially precarious circumstances undoubtedly carries a genuine risk of default, or at least, of rescheduling. In the circumstances the Committee is constrained to repeat one of its frequent demands - that the activities of the EIB be more open to the scrutiny of Parliament. Contingent liabilities in the budget already exceed 11 billion ECU[2], and could rise within the ceilings already authorised to 40 billion ECU, while under the Delors II proposals exposure, especially to higher-risk borrowers, would increase markedly. Within the context of the growth in the role of the EIB in external policy therefore, the Committee would have to insist on a mutually satisfactory and comprehensive agreement being reached covering the rights of audit of the Court of Auditors vis-à-vis the EIB, an agreement which is at present patently lacking.

6. The proposed reserve fund

In the light of the comments above, the Committee cannot but welcome the creation of a reserve fund intended to cover any calls on the Community guarantee. This is clearly in accord with the principles of prudent financial management. Similarly, the presence of a reserve from which exceptional and unexpected aid operations can be financed is to be welcomed.

What is not yet clear however is how the planned reserve fund of 900 mECU is to operate : how and when it will be reconstituted in the case of use, what the conditions are for the use of the reserve, whether or not the amount of the reserve is expected to grow over time, and if so to what maximum, whether or not any sub-ceilings would be imposed on payments from the reserve, and so on.

Furthermore, while it is easy to understand the flexibility the Commission is seeking to achieve through the establishment of a single reserve, it seems odd from the point of view of budgetary transparency that the same reserve should be expected to cover what are essentially very different contingencies. Indeed, at another part in the Delors II Package mention is made of the long term desirability of constituting a number of specialised guarantee funds[3], seemingly in contradiction of the logic of the "umbrella" reserve fund proposed.

While therefore welcoming the principle of a reserve fund as a positive development, one indeed put forward repeatedly in the past by the Committee, the Committee on Budgetary Control cannot give its unreserved approval to the reserve as currently envisaged until the conditions of its use become clearer.

7. Administrative expenditure on the Common Foreign and Security Policy

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[2] As at 30 June 1991 - source SEC(91) 2281 final (2.12.91)
[3] COM(92) 2000 final. Operations of the EIB

The general budget at present covers considerable expenditure on the external representation of the Community, in the form of delegations, etc. Now, however, Title V, Article J of the Maastricht Treaty lays down a number of provisions concerning the establishment of a full-blown European common foreign and security policy. Moreover, sub-article J.11 specifically provides for administrative expenditure (and, at the discretion of Council, operating expenditure) relating to this area to be charged to the Community budget. Given the effects that the rapidly evolving Community role will have on its own structures (e.g. the nature and scale of its representation abroad), extra administrative expenditure alone will represent a substantial sum, and it is surprising to see that the documents so far presented by the Commission on the Delors II Package do not address this issue. It is therefore to be hoped that the budgetary authority will soon be informed of the Commission's thinking in this area.

8. Conclusions

The Community is well-placed to take on an increased role in external affairs; this is not only implicit in the political ambitions of the Maastricht Treaty, but also arises directly from the clear suitability of the Community to assume a central role in the world's efforts to assist and develop regions upon which it borders.

However in this process of expansion, the Community must attach a proper value to the experience it has acquired over recent decades in carrying out less dramatic, but qualitatively very similar work in other parts of the world. The application of this experience means, among other things, an appreciation of the values of sound organisation and management, and the crucial importance of prior assessment of need, evaluation of projects undertaken, measures to fight corruption and fraud, a close monitoring of finances, and retrospective analysis and evaluation of action taken.

E U R O P E A N   P A R L I A M E N T

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the post-Maastricht package:
competitiveness

Draftsman : Mrs DIEMUT THEATO

20 March 1992

I. COMPETITIVENESS IN THE SINGLE MARKET

1. The single market which is soon to be completed is still a purely legislative construct: there is as yet no overall framework at European level to provide the market with appropriate structural mechanisms enabling it to overcome internal and external deficits.

2. Inside the Community, competition is increasing due to the elimination of legislative and fiscal barriers and this is giving rise to a process of industrial reorganization which is threatening the livelihood of many SMUs and may make redundant many workers whose skills have become obsolete.

3. Externally, the Community now has to compete with the other industrial giants, the USA and Japan, which devote a far greater share of their resources than the EEC Member States to promoting industrial competitiveness and research in the underlying problems (research in the pre-competitive stage, financing of advanced technologies).

II. MEASURES TO PROMOTE COMPETITIVENESS IN THE MAASTRICHT TREATY AND THE SECOND DELORS PACKAGE

4. Having taken the initiative to establish a single market, the Community must now provide this market with the necessary structural mechanisms. The Maastricht Treaty specifically provides the legal basis for such a move: Article 130 seeks to ensure that the conditions necessary for the competitiveness of the Community's industry exist and provides that the Community should 'contribute to the achievement of the objectives set out ... through the policies and activities it pursues under other provisions of this Treaty'.

5. The Commission took this Article as its basis when it established a series of objectives and measures in favour of competitiveness in the 'Delors II package'[1]:

(a) horizontal actions in favour of competitiveness to improve information and cooperation, notably for SMUs; this is mainly a matter of adjusting existing instruments (for instance, Community initiatives under the Structural Funds) than creating new instruments;

(b) measures in favour of research based on an analysis of the needs of industry;

(c) a reorientation of the European Social Fund to cater for the changing requirements of industry;

(d) the financing of major trans-European networks in transport, telecommunications and energy through the new Cohesion Fund, feasibility studies, loan guarantees and interest-rate subsidies. This will create a climate favourable to industry.

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1 Doc. COM(92) 2000 'From the Single Act to Maastricht and beyond'

III. PAST OMISSIONS

6. Community action so far has neglected a number of areas which the Commission considers of prime importance:

- research appropriations have been spread too thinly among the various Member States and a host of different objectives, thereby blunting their impact: the criterion of a 'fair return' has too often taken precedence over effectiveness, a criticism made by Mr Delors at the meeting of the temporary committee entrusted with examining the Commission proposals. Moreover, research appropriations should be focused more specifically on a limited number of precise priorities based on an analysis of the needs of industry in line with the demands already made by a panel of scientific experts consulted by the Commission.

- Social Fund activities have been used by the Member States to absorb funds which had not been definitively allocated to a specific cohesion objective. The variety of different approaches and the excessive number of potential intervention areas have meant that resources have been spread too thinly and this has hampered the attainment of Objectives 3 and 4 of the Structural Funds (long-term unemployment and job-creation for young people respectively) and could in future be an obstacle to the vocational training of workers in sectors undergoing industrial change (Article 123 of the Treaty). It is therefore necessary to concentrate on a limited number of the Fund's vocational training objectives on the basis of the new text of Article 123 of the Treaty.

- as regards major trans-European networks, the Commission has no real experience in this matter, given that so far it has given priority to infrastructure projects within Member States and neglected major trans-frontier projects. The projects receiving Community funding have not always met the additionality requirement provided by Community legislation since the infrastructures in question would in many cases have been financed by national budgets anyway. It is now proposed to finance new projects under the Cohesion Fund and there are grounds to fear that the Commission does not intend to make any provision concerning respect for the principle of additionality.

  It is important therefore to strongly insist on this criterion since the new networks must be in the Community's interest and Community intervention must act as a stimulus: the Commission should outline the principles it intends to adopt to guarantee additionality.

  As part of ECSC activities, the Commission has taken measures to convert the coal and steel sectors and financed research. These measures have not always been systematically coordinated with other research and industrial policy measures. The Commission should consider establishing this coordination on a permanent basis as part of the new industrial planning policy it is preparing to launch.

  In general there is a risk that the Commission's efforts will be dissipated unless the various measures are coordinated as part of a policy to stimulate competition based on a clear analysis of the needs of industry (financial, legislative, technological and economic climate) and how to meet them. Such a policy has been lacking so far: the Commission should say which bodies will draw up this policy, suggest partners at national level (politicians and private individuals) and draw up an intervention plan and a more detailed approach.

CONCLUSIONS

The temporary committee 'From the Single Act to Maastricht and Beyond' should be called on to incorporate the following conclusions on competitiveness in its report:

A) In view of the completion of the internal market, Community measures are needed to promote the competitiveness of undertakings in line with the new Article 130 of the Treaty; for the completion of the internal market will lead to stiffer competition both within the Community and from the other industrial powers (the United States and Japan). The Community must therefore intervene to guarantee a favourable economic climate for its undertakings and notably SMUs which are particularly vulnerable to the effects of industrial change; the same applies to those categories of workers who face redundancy due to the same process.

(B) The resources with which the Commission intends to fund its policy of industrial adjustment and competitiveness are, on the whole, adequate, providing they are correctly used; the Committee on Budgetary Control requests in this connection that the errors which have affected the management of these resources in the past should be avoided in future and in particular that:

- research should be targeted on a limited number of priority objectives in the light of an analysis of the genuine requirements of industry;

- Social Fund resources should also be sharply focused on the objective of retraining specific categories of the workforce to meet the changing needs of industry and should no longer be dissipated by being allocated to a large number of different objectives;

- measures to finance and coordinate major European networks must respect the principle of additionality so that a real incentive is provided even for the part financed by the Cohesion Fund;

- the Commission should guarantee that the resources allocated to promoting competitiveness should not be used on an individual basis but coordinated as part of a single industrial policy; the Commission should clearly indicate which bodies (Community and national) should coordinate this policy as well as its objectives, resources and methods of intervention.

E U R O P E A N P A R L I A M E N T

COMMITTEE ON BUDGETARY CONTROL

Contribution to the opinion on the 'post-Maastricht' package on the Structural Funds

Draftsman : Mrs Annemarie GOEDMAKERS

20 March 1992

OR. PAN
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OR. PAN

I. <u>THE COMMISSION'S 'POST-MAASTRICHT' PROPOSALS</u>

1. The Commission's proposals concerning the Structural Funds in the aftermath of Maastricht are fewer in number than one might have expected. The Commission concentrates mainly on the financial aspects, providing for:

(a) an overall increase of 58% in the amounts allocated to the Structural Funds for the 1993-1997 period;

(b) a two-thirds increase in the allocations for Objective 1 regions;

(c) the setting-up of a Cohesion Fund intended to offset the financial and budgetary restrictions which Ireland, Spain, Portugal and Greece will have to bear in order to achieve the convergence needed for Monetary Union (the Objective 1 regions, which are also funded by the Cohesion Fund, will receive a 100% increase);

(d) a 50% increase for the other structural policy objectives;

(e) the creation of a new Objective 6 for structural measures in the area of fisheries, currently covered by Heading 4 of the financial perspective;

(f) the inclusion of some Objective 5 operations adjusting agricultural structures in the EAGGF Guarantee Section (Heading 1) and the planned abolition and incorporation into the common agricultural policy of Objective 5;

(g) the allocation of 15% of the structural policy appropriations to 'Community initiatives'.

2. There are far fewer proposals relating to management:

(a) a reduction in the number of phases in the decision-making process (from 3 to 2);

(b) greater decentralization;

(c) greater flexibility in modulating intervention rates;

(d) adjustment of a number of objectives (boosting of Objective 5B, <u>redefinition of Objectives 3 and 4, typical objectives of the social fund</u>, particularly with regard to vocational training for industrial resettlement: Article 123 of the Treaty, etc.).

II. ASSESSING THE POST-MAASTRICHT PROPOSALS IN RELATION TO THE OBJECTIVES

3. The limited number of proposals put forward by the Commission in the Delors II package would suggest that the Executive is basically satisfied with the implementation of the reform of the Structural Funds begun in 1988. What is there to justify the Commission's favourable assessment of the development of structural policy? Have the objectives of the reform up to 1992 been achieved? And, indeed, what were these objectives? Everyone knows that the ultimate objective is cohesion (Article 130a of the Treaty), to which convergence (Article 109) has now been added. However, these objectives are couched in such general terms that their implementation can be assessed in the vaguest possible way. But the time has now come to abandon sweeping political generalizations about cohesion and to concentrate on achieving the precise medium-term objectives which must underpin the aims of cohesion and convergence.

4. The Commission asserts that its structural measures have so far produced a 3% rise in GDP in some regions and enabled 50 000 jobs to be created. But it is impossible to assess the effectiveness of the structural policies if no statistical objectives are available to compare with the results. Furthermore, the Commission's proposals to make differentiated increases according to objectives can only be analysed in relation to the rise in demand and the increased GDP which should arise from it. The attached table, which is taken from a study commissioned by Parliament, shows what transfers would be needed in order to achieve certain reductions in regional disparities within a given period. If this approach is adopted, the Commission should announce in advance the reduction in regional disparities it hopes to achieve by 1997 in relation to the amounts it proposes to allocate to the Structural Funds in the financial perspective.

5. As far as the other management measures proposed by the Commission are concerned, no definite assessment can be given until the proposals for legislation have been made in July. Nevertheless, the Commission must be given some pointers at this stage to help in the preparation of these legislative proposals.

The decision-making process

6. Reducing the number of stages in the decision-making process from 3 to 2 could be beneficial. The reduction would probably apply to the two upstream phases - the drafting of regional development programmes and the Community support frameworks. Such a reduction would mean that decisions could be taken more quickly, but would have to be accompanied by legislative changes aimed at strengthening partnership and avoiding the shortcomings criticized by the Court of Auditors in its 1990 annual report (particularly the excessively slavish way in which these planning documents follow the national programmes and plans).

Modulation of interventions

7. Greater modulation of interventions in accordance with convergence needs and the constraints which Member States will be called upon to bear must not lead to the concept of additionality being forgotten: to raise the intervention rates in relation to the budgetary constraints on Member States would be tantamount to turning the Structural Funds into nothing more than an indemnity scheme to offset the Member States' national debts. Greater modulation would only be acceptable if it were linked to precise effectiveness parameters for the project or programme (the lasting macro-economic growth expected in the region, job creation, etc.).

The Cohesion Fund

8. According to the Commission, the Cohesion Fund should be set up on the twofold condition that a convergence programme is adopted by the Council (the States in question would be subject to multilateral surveillance by the Community of their adherence to their obligations under the programme) and that programmes for the environment and the trans-European networks are implemented by the Member States in question. The Cohesion Fund is conditional upon a programme of economic convergence and the implications of the multilateral surveillance procedure. Parliament does not take part formally in this surveillance procedure. Does this mean that the European Parliament will not be able to control use of the Cohesion Fund monies adequately?

9. The Cohesion Fund will be set up with a view to convergence but is part of the Community's structural policy (it will be included under heading 2 of the next financial perspective with the Structural Funds) and must therefore respect the priorities of the Community's structural policy:

- the programmes to be funded must be of predominantly Community interest in the fields of the environment or trans-European networks;

- the principle of additionality must be applied. If this is not entirely possible in terms of public investment (the contribution from the national budgets would be only 10-15%), Community funding must still be conditional upon private contributions and guarantees of the general macro-economic effectiveness of the project being funded in terms of growth and employment.

Decentralization

10. The greater degree of decentralization called for by the Commission could be accepted on condition that it was more closely monitored; the monitoring committees should have their powers increased and be made more representative. Regional authorities and representatives of the EIB and the Court of Auditors should be on these committees, as well as representatives of social groups such as employers, employees, women's and environmental groups.

Community initiatives

11. 15% of the Structural Fund appropriations would be allocated to Community initiatives. It is not clear whether these appropriations are always used for useful purposes. This should be assessed and proposals made to ensure that the money is well spent.

III. CONCLUSIONS

12. The structural policy reforms proposed by the Commission in the aftermath of Maastricht are few in number, suggesting that the Commission is satisfied with this initial phase of implementation of the reform of the Structural Funds.

13. However, it is not always possible to make an assessment from the financial and operational points of view, since the Commission did not lay down clear statistical objectives when the reform was initiated (1988). The Commission must ensure that such objectives will be clearly defined from 1993 onwards and in particular it must determine the levels of lasting economic growth and reductions in regional disparities expected by 1997 as a result of the proposed increase in the amounts.

14. The reduced number of stages in the decision-making process must be accompanied by increased partnership so that the programme which is drawn up does not simply reflect the national programmes and projects.

15. The ultimate decentralization called for by the Commission must be underpinned by greater monitoring. The powers and representativeness of the monitoring committees must be made greater. Social groups such as employers, employees, women's representatives and environmental groups must be represented. The EIB should be included in these committees on a more systematic basis. The Court of Auditors should be represented.

16. There could be greater flexibility in the modulation of interventions on condition that higher intervention rates are justified by heightened effectiveness of the project or programme in terms of economic growth and employment.

17. Similarly, the Cohesion Fund must not only fulfil the objectives of convergence but also take account of structural policy objectives; the programmes it funds must be of genuine interest to the Community and the principle of additionality must be applied, if not in terms of public investment, then by means of private investment and taking into account the lasting economic and social impact of the programme funded. Because Parliament does not formally take part in the surveillance procedure the Commission has to provide all the necessary information so that the European Parliament will be able adequately to monitor the use of the Cohesion Fund.

18. Community initiatives must concentrate on a limited number of objectives fulfilling precise priorities drawn up in advance.

	Objective: targeted percentage of average GDP per EC inhabitant			
	75%	80%	85%	90%
Number of years needed to reach the objective	Percentage of remaining EC GDP to be transferred each year			
5	0.46	0.71	0.94	1.16
8	0.30	0.45	0.60	0.73
10	0.25	0.37	0.48	0.59
15	0.18	0.26	0.33	0.40
20	0.14	0.20	0.26	0.31

O P I N I O N

(Rule 120 of the Rules of Procedure)

by the Committee on Institutional Affairs

for the Ad Hoc Committee on 'From the Single Act to Maastricht and beyond: the means to match our ambitions'

Draftsman: Mr Fernando PEREZ ROYO

At its meeting of 17 and 18 March 1992 the Committee on Institutional Affairs appointed Mr Perez Royo draftsman.

At the same meeting it considered the draft opinion.

It adopted the conclusions unanimously.

The following took part in the vote: Oreja, chairman; Prag, vice-chairman; Perez-Royo, rapporteur; Aglietta, Beiroco, Cheysson, Ferrer y Casals, Ford, Lagakos and Luster.

1. The European Parliament's position on the Maastricht Treaty will be delivered at the April part-session on the basis of the resolution drawn up by its Committee on Institutional Affairs (rapporteur: Mr David Martin). The initial analyses carried out by Parliament's committees and by the political groups all agreed on one particular point, which had been the European Parliament's major priority during all the work of the Inter-governmental conferences: the **democratic deficit** that results from the transfer of legislative, financial and fiscal powers from national to Community level has not been made good. The increase in Community powers, the extension of majority voting in the Council, the founding of the Treaty on different pillars and the ambiguity of certain legal formulae risk, moreover, increasing the deficit both at European Parliament and national parliament levels.

   This situation is particularly evident in the area of Community expenditure and financing of the budget, since all the proposals drawn up by the European Parliament were ignored by the Inter-Governmental Conference, as were the proposal for amendments to the Treaties submitted by the Commission and the Final Declaration of the Conference of Parliaments of the European Community (paragraph 3).

   It is enough to point out:

   - that Article 199 of the EEC Treaty does not apply to capital account operations, which means that the requirement of providing a constitutional basis for Community borrowing and lending operations has once again been evaded. The text of the new article does however provide for administrative, and possibly also operational expenditure on CFSP and JHA - two areas that are managed independently of Community and parliamentary supervision - to be charged to the EC budget. The lack of clarity in the Treaty in these areas and the European Parliament's long-standing experience in this connection point to the likelihood of serious inter-institutional conflicts;

   - that Article 201 confirms the purely consultative role of the European Parliament as regards provisions relating to the system of own-resources, again denying the EP any responsibility in the area of revenue;

   - that the new Article 201a incorporates into the Treaty the principle of budgetary discipline as determined on the basis of the Inter-Institutional Agreement signed in June 1988 (and in force until 31 December 1992). The insertion of this provision raises to constitutional level the principle, imposed by national governments on the financing of the Community, of a budget disciplined by the revenue granted by the Member States and not by the real needs of common policies;

   - that Articles 202-203-204 remain unchanged, and in particular that they maintain the artificial distinction between so-called compulsory expenditure and the rest of the budget, as well as the provisional twelfths procedure, the implementing arrangements for which have already been changed in practice;

- that neither the cooperation procedure nor the Article 189b procedure, nor yet the assent procedure have been applied to the amendment to the Financial Regulation under Article 209.

The Maastricht Treaty has nevertheless introduced some changes in relation to common policies - old and new - and in the financial provisions, changes that the European Parliament will be able to use to good effect to ensure that its views prevail on budgetary matters. We shall return to this in the conclusions to this opinion.

2. The Commission's new proposals to make a success of Maastricht have their legal and political basis in the provisions of the Treaty on European Union, and in the commitments and priorities laid down by the European Council. They have acquired an extra urgency owing to the approaching expiry of the financial framework and the Inter-institutional Agreement laid down in 1988. That being so, the attitude displayed by the governments and administrations, tantamount to denying the urgency of the new financial perspectives, appears all the more astonishing.

The position of the EP on the financial aspects of the Commission's proposals will be set out by the temporary committee and by the other committees asked for their opinions in their respective areas.

The important thing to point out here is that the Commission gives prominence to the importance of acting to democratize Community life, in particular by strengthening the powers of the EP, an assertion that must be linked to the progressive interpretation that the EP - normally supported by the Court of Justice - has always applied to the budgetary procedures.

The EP obviously shares the priorities identified by the Commission, in particular those of strengthening external actions, securing economic and social cohesion and creating an environment favourable to European competitiveness. In the context of these priorities the EP wishes to highlight the following points:

(a) as regards external actions, the new framework for the financial perspectives must highlight the breakdown of expenditure by geographical distribution and by financial mechanism. That breakdown will allow for greater transparency and ensure effective strengthening of the Community effort outside the countries of Central and Eastern Europe. While confirming the validity of the existing mechanisms, the Community's action must contribute to stimulating and assisting initiatives intended to launch the process of regional integration, both between the countries of Central and Eastern Europe (including the Baltic countries and the CIS) and the other regions of the world;

(b) **as regards economic and social cohesion**, the improvements envisaged in decision-making procedures to increase the effectiveness of structural policies must not be allowed to weaken the analyzing and monitoring role of the Community institutions, in particular the Commission. The provisions of the Maastricht Treaty must at the same time be interpreted to enable a strengthening of Community action where the procedures stipulated are not adequate (in particular on the environment);

(c) **as regards European competitiveness and other common policies**, the procedures laid down in the Treaty must adhere strictly to the fundamental principles of budgetary standards, in particular in the areas where the Council and Commission have had a tendency to confront the EP with a fait accompli.

3. The structure of own resources, the development of Community financial operations, the administrative arrangements for the institutions and the principles of budgetary discipline - as implemented before Maastricht and on the basis of Commission proposals - risk affecting the EP's role considerably.

The new Inter-Institutional Agreement will be acceptable to the EP on condition that the responsibilities of the Assembly in relation to revenue, the monitoring of capital operations and the drawing up of multiannual expenditure are effectively and clearly laid down. The administrative resources available to the Community institutions, and in particular to the Commission, must be strengthened well beyond the level of the Commission's proposals to guarantee the defence of the European public service and the effectiveness of action by the institutions.

While drawing attention to the modest nature of the advances, if any, made under the Maastricht Treaty in relation to the budget, the EP could still open negotiations on the Delors-II package and conclude by reasserting its requirements by pointing out the following to the other institutions:

- that the financial consequences of the Delors-II package cannot be formally introduced by the European Council but will have to be entered in the 1993 budget (and, consequently, be adopted by the Commission in the preliminary draft budget for 1993), and that their adoption will thus be consequent upon the adoption of that budget and subsequent budgets;

- that, in the absence of a new Inter-Institutional Agreement, the budgetary procedure drawn up under the EEC Treaty will apply in full until the signing of the new agreement;

- that the Council has the last word on so-called compulsory expenditure, but that the EP has the last word on all the rest of the budget, and consequently also on the revenue side, which implies an EP agreement on the structure and level of own-resources;

- that the EP has power of assent on all international agreements having a major financial impact, and on agreements concluded pursuant to the provisions of Article 238 of the EEC Treaty, those that create a specific institutional framework or those that require amendments to an act adopted pursuant to the Article 189b procedure, which gives the EP increased influence in the fixing of financial priorities under the 'external actions' section of the Delors-II package;

- that the tasks, priority objectives and organization of the Structural Funds are drawn up by the Council on the basis of an assent by the EP, which gives the latter a right of veto on the amount of the financial perspectives allocated to this area;

- that in many areas, other than economic and social cohesion, having a financial impact under the Delors-II package, the EP participates in the legislative procedure on the strength of Article 189b.

4. On the basis of the above considerations, the Committee on Institutional Affairs submits the following conclusions to the temporary committee 'From the Single Act to Maastricht and beyond: the means to match our ambitions':

(a) the Treaty on European Union has given an absolutely unsatisfactory answer to the question of the democratic deficit; the situation is extremely clear in the area of the budget where all the EP's proposals together with the Final Declaration of the Assize (paragraph 3) were ignored by the Inter-Governmental Conference, in particular those relating to own-resources, the budgetary procedure and the Financial Regulation;

(b) The EP is nevertheless prepared to act to take advantage of all the options opened up by the Maastricht Treaty by applying a progressive interpretation to the budgetary procedures; it expects the Commission to be live up to the assertion contained in the Delors-II package to the effect that it will be essential to take account of the resolve to democratize Community life by strengthening the powers of the EP;

(c) in that spirit the EP points out that although its reaction to the Delors-II package will be considered as a non-binding opinion by the Council and by the Commission, implementation of the package requires the EP's agreement, both in relation to the budgetary impact and in relation to the Structural Funds or association agreements with third countries, and that its final opinion on the package consequently will have a determining influence on its subsequent attitude, starting with the adoption of the budget for 1993 in particular;

(d) that the situation created by the Maastricht Treaty requires a new Inter-Institutional Agreement covering both expenditure and decision-making methods on structures, allocation and amounts of own resources; this will make it possible to strengthen the effectiveness and democratic credentials of Community decisions on financial matters;

(e) in all democratic systems a crucial importance attaches to the role of parliamentary assemblies in drawing up fiscal policy and in fixing revenue. The EP considers that the Commission's proposals on own resources are not adequate to the challenges of Community development after Maastricht; the proposals will also be liable to entrench the principle of balanced budgets supported by certain Member States. The principle of a Community fiscal policy and of EP responsibility in drawing it up must, on the contrary, be one of the fundamental points contained in the Inter-Institutional Agreement resulting from the Delors-II package.

DRAFT OPINION

of the Committee on Women's Rights

Letter from the Chairman of the committee to Mr Emilio COLOMBO, Chairman of the Temporary Committee 'From the Single Act to Maastricht and Beyond: the Means to Match our Ambitions'

Brussels, 22 April 1992

Subject: Communication from the Commission 'From the Single Act to Maastricht and Beyond: the Means to Match our Ambitions' (COM(92) 2000 final) (C3-0061/92)

Dear Mr Colombo,

At its meeting of 22/23 April 1992, the Committee on Women's Rights considered the above subject and it adopted the following conclusions:

- it considers that any measure taken within the framework of economic and social cohesion must respect the fundamental principle of equal treatment for men and women;

- it considers that in applying this principle the first step is to develop vocational training: Articles 126 and 127 of the New Treaty create new opportunities based on subsidiarity and enable the Community to implement 'a vocational training policy which shall support and supplement the action of the Member States'; the reform of the structural funds must thus take into account all aspects of training in favour of women;

- it considers also that there is a risk that the social policy set out in Protocol 14 of the draft treaty may not enjoy the same access to Community funds;

- it reiterates that the development of any industrial or energy policy which creates jobs and calls for training in advanced technologies will give women added opportunities to enter a changing labour market;

- it recalls, finally, that the foreign policy provided by the second Delors Package should provide sufficient funds substantially to assist women in developing countries and in the East of Europe, given the important role they will occupy in the years ahead;

- it considers that the proposals contained in the Delors Package represent a minimal increase in view of the challenges confronting the Community after Maastricht.

Yours sincerely,

(sgd) Christine CRAWLEY