

EUROPEAN PARLIAMENT

Working Documents

1984-1985

9 April 1984

DOCUMENT 1-111/84/B

Report

drawn up on behalf of the Committee on Budgetary Control

in accordance with the provisions of Article 85 of the Financial Regulation informing the Commission of the reasons for the deferral of discharge in respect of the implementation of the budget of the EC for the 1982 financial year

- Part B - Explanatory statement

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PE 89.164/fin./B

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EXPLANATORY STATEMENT

PART I - BACKGROUND TO THE PRESENT REPORT

After almost five years of political control work, it is logical to take stock of this work in the context of the present discharge report. This will be done in Part II; Part I outlines the background to the report.

Introduction

1. The Treaties which established the EC gave certain clear and specific responsibilities to the European Parliament. The most important duties of the European Parliament lie in the budgetary sphere.

2. First and foremost, Parliament has the duty of finally adopting the general budget of the EC¹. The annual budget sets out the policies which have been endorsed by a majority of the members of the European Parliament after lengthy and complex deliberations involving the specialised committees and the political groups. Also, adoption of the budget involves the Member States' representatives through the negotiations - sometimes prolonged - that take place with the Council in the framework of budgetary concertation. The EC budget is of major significance for European taxpayers because it is financed from resources that the Parliaments of the Member States have decided should be fully assigned to the EC.

Size of the EC budget

3. The 1982 EC budget amounted to somewhat less than 22,000m ECUS. Although to some this amount may seem to be relatively small at a first glance, it is, in fact, quite significant in relation to certain sectors: for instance, more than one-third of all the money spent within the EC on agriculture comes from the EC budget. Furthermore, EC budgetary outlay on regional and social policies, on research, on energy and on cooperation with developing countries has a considerable impact on various sectors.

¹ Article 203(7) of the EEC Treaty

Political audit and control of the EC budget

4. When the Member States amended the Treaties to give fuller responsibility to the European Parliament in the adoption of the annual EC budget, it was logical that they should also charge this institution with the tasks of supervising and controlling the implementation of the budget and of deciding on the final grant of discharge to the Commission.¹ Within the European Parliament, those responsibilities are entrusted to the Committee on Budgetary Control.

5. For ready reference, the principal responsibilities of the Committee are listed below:²

- the control of financial and budgetary measures aimed at implementing Community policies;
- monitoring the use of appropriations entered in the budget of the Community institutions (including the EAGGF, the Social Fund, the ERDF, the EDF), where necessary in cooperation with the committees concerned;
- discharge in respect of the implementation of the Community budgets pursuant to the provisions of the Treaty, the Financial Regulations and current practice:
- measures adopted by the institutions following Parliament's decisions to give a discharge;
- monitoring the implementation of the budget, particularly on the basis of the institutions' quarterly reports, and examining and monitoring commitments, transfers and the use of appropriations during the year;
- transfers of appropriations in implementation of the budget;
- examining the Communities' financial balance sheets;
- control of the ECSC's financial and administrative operations;
- monitoring the measures taken by the EIB on the basis of a mandate or a transfer of powers from the Commission for the purpose of implementing Community policies;
- financial control of the European Parliament;
- relations with the Court of Auditors and the national audit bodies; and
- the application of Rule 51 of the Rules of Procedure concerning the appointment of Members of the Court of Auditors.

¹ Article 206(b) of the EEC Treaty
² OJ No. C 161, 20.6.1983, page 135

contains the full text

Selective approach

6. The mandate of this Committee is clearly far-reaching. It is not possible to cover every aspect of EC budgetary activity in the course of each year's work. This is also true of similar committees in the Parliaments of Member States who must be selective in their approach to their annual work programme.

7. When the annual EC budget is adopted, the work of the Committee on Budgetary Control begins. Each quarter it reviews the pattern of expenditure on the basis of the reports presented by the Commission in accordance with the requirements of Article 29 of the Financial Regulation.¹ Also, at three-monthly intervals, the Committee hears the oral report made by the Commission on cases of fraud and irregularity affecting the EC budget. Further, the Committee considers ad hoc reports put forward by members on the various aspects of Community activity.

Broad terms of reference

8. In its work, the Committee is obliged to look further than comparing the quarterly or annual figures with the budget as adopted. The verification of regularity, cost-effectiveness, legality and appropriateness of the use of funds by the Commission involves the Committee in work that, at first sight, might appear to exceed the narrow limits of the examination of accounts. However, as is apparent from paragraph 5 above, the Committee is expected to monitor the implementation by the Commission of Community measures.

The discharge decision

9. The main work of the Committee is reflected in the annual report on the discharge decision. This decision - which is the subject of the present report - gives a political judgment on the manner in which the Commission implemented, or failed to implement, the wishes of Parliament as set out in the annual budget. Under the provisions of Article 85 of the Financial Regulation, Parliament is empowered to annex comments to the discharge decision. Such comments are of a binding nature and the Commission is required to report on the measures taken in the light of these comments.

¹ OJ No. L356, 31.12.1977

PART II - WHAT THE COMMITTEE ON BUDGETARY CONTROL HAS ACHIEVED

10. From the outset of its mandate in 1979, the Committee on Budgetary Control has strengthened and enhanced the political control of the use of EC funds. Three factors have helped the Committee in its work:

- firstly, the provisions of the Treaty of 22 July 1977 which gave Parliament the last word in relation to the final political judgment on the Commission's management of EC funds also added to Parliament's authority in this sphere;
- secondly, the efforts of the Court of Auditors - as reflected in its annual report and in special reports corresponding to its task of assisting Parliament in exercising its powers of control over the implementation of the budget - have shown growing signs of effectiveness; and
- thirdly, the Committee's own internal arrangements for sub-rapporteurs have built up the expertise of individual members who have been better able (i) to follow specific sectors of activity and the Commission's overall approach and (ii) to supervise the activities of the Commission and of its bureaucracy.

The impact of the Committee on Budgetary Control

11. Now that the Committee is in the final months of its mandate, it is appropriate to describe the areas where it has made the greatest impact and to summarize some of its principal achievements. These can be listed under the following main headings:

- greater discipline in the use of money

12. One of the earliest reports of the Committee was that put forward by Mr. Key concerning the entertainment allowances of the Commission.¹ The preparation of this report entailed the presence of the President of the Commission at a public meeting of the Committee; it resulted in new rules for the management of allowances, improved discipline in the use of public funds and the recovery of certain amounts. The message given was that in future there would be an end to extravagance.

¹ Doc 1-537/79

- political accountability

13. The activity of the Committee has brought it home to the Commission that their political accountability will be insisted on in Parliament. As the executive, they are required to implement the budget and see to it that the best possible use is made of the European taxpayers' money. Political accountability includes attendance before the Committee on Budgetary Control to reply to questions put regarding the management of the budget. The comprehensive replies given to the Committee, and the reforms that were effected speedily in response to the Committee's prompting provide evidence of this. The manner in which the Commission wound up ninety committees of experts following recommendations from the Committee on Budgetary Control¹ illustrates this point.

- control of the bureaucracy

14. As a result of the activities of the Committee on Budgetary Control, tighter control over the bureaucracy was introduced. Following the report on the JRC² the non-specialized vehicle fleet at Ispra was cut back by 39 units. In the interim report on the 1980 discharge, the rapporteur found that a substantial change had been effected to the specifications for Commission offices in Luxembourg without the budgetary authority having been fully informed - and, indeed, without the responsible Member of the Commission being made aware of the fact. The point at issue was the construction of a 'fitness centre' which occupied an area of 1569m². The internal procedures of the Commission were revised so as to ensure that nothing of the kind happens again and the need for stricter control was brought home to all senior officials.

- adherence to the provisions of the Financial Regulations

15. The Financial Regulation is a document which is provided for in Article 209 of the EEC Treaty. It governs the preparation, presentation, implementation and control of the budget. If regularity in procedures relating to the handling of Community funds is to be ensured, the provisions of this text must be respected. Therefore, in the course of its work, the Committee on Budgetary Control has insisted on the need for officials ordering supplies, keeping inventories and completing accounts and balance sheets, to adhere closely to the Financial regulation. The reports on the Ispra research centre are a pertinent example.

¹Doc. 1-446/83

²Doc. 1-666/82, OJ No. C 334, 20.12.1982, page 32

- elimination of fraud

16. The Community operates a wide range of expenditure programmes and manages a very complicated common customs tariff. Moreover, with ten Member States and seven working languages, there are added possibilities for misapplication of rules, for irregularities and for frauds. Some frauds are of a complex nature and can involve substantial sums. Parliament has endeavoured to close loopholes as far as possible and has instituted a system whereby, each quarter, senior Commission officials attend hearings in the Committee on Budgetary Control. This Committee has considered the problems concerned in depth, on several occasions, and has produced two major reports in the matter - both by Mr. Gabert: one deals with the specific issue of a major fraud which arose at Como¹ and the other with the overall problem of improving systems for eliminating frauds and irregularities.²

- putting Parliament's house in order

17. One of the more significant items of internal work completed by the Committee on Budgetary Control was the drawing up of a set of rules for the implementation of the budget of Parliament. This text was adopted by the Bureau of Parliament a year ago and it was hoped that it would remove certain weaknesses in the management of the funds of this institution. Your rapporteur considers, however, that, in the light of experience, these internal rules need to be revised. For instance, the President of Parliament is mentioned in the document some twenty-seven times. This involves him in a far too detailed way in executive responsibilities which could better be discharged by officials. This aspect apart, the introduction of these rules has removed a weakness in the system of control. Furthermore, the Committee has also taken very seriously the discussions leading up to the decision granting Parliament and its accountant a discharge. Adequate time is set aside at meetings to hear reports on expenditure from accounting officers and from the Financial Controller.

1

2 Doc 1-695/80
Doc 1-1346/83

- fruitful contacts with the Court of Auditors

18. When the Treaties were amended to provide for a European Court of Auditors, it was stipulated that the new body "shall assist the Assembly and the Council in exercising their powers of control over the implementation of the budget."¹ The Committee on Budgetary Control has endeavoured since its inception to work smoothly and efficiently with the ECA. This cooperation has undoubtedly resulted in improvements in the management of EC funds. Also, the Committee has given political support to the ECA in its work. The ECA is represented at all meetings of the Committee: moreover, the Committee holds meetings in Luxembourg regularly so as to have in-depth discussions with the members of the ECA and its senior officials. Arrangements for having the ECA prepare ad hoc reports on specific problems have also been evolved.

- development of relations with national authorities

19. The Committee on Budgetary Control is keenly aware of the fact that specialised committees in Member States' Parliaments and national Courts of Auditors are interested in ensuring greater efficiency in the management of taxpayers' funds. Moreover, there is common concern as regards the risk of gaps developing between the various levels of control or, indeed, of there being double controls on certain items. Also, both parties can benefit from exchanges of views on matters of national interest. In this context, the Committee has had discussions with national authorities in Germany, the United Kingdom and in France.

- implementation of Parliament's amendments to the budget

20. Each year, Parliament examines the draft budget with great care. The document is processed by the specialised committees and by the political groups. When finally adopted, it contains sums that have been added to ensure that a minimum is provided to finance certain desirable social, third world development, regional and industrial programmes. The implementation of these amendments has been a matter for the Commission. Therefore, it came as a shock to the Committee on Budgetary Control in its early days to discover that the Commission was always very negligent in this regard as the following quotation indicates:-

¹ Article 206a (4) fourth sub-paragraph of the EEC Treaty

"...the amount of payment appropriations actually paid in 1977 was 4,583,000 EUA or approximately 3% of the total amendments voted. Twenty-one of the 29 amendments were not implemented at all. Five further amendments were implemented by less than half of the amount voted."¹

21. Thanks to the efforts of the Committee on Budgetary Control, there has been an improvement on this performance, which was quite unacceptable. Nevertheless, the situation continues to be very disturbing, as the information in Part IV shows.

- ensuring that the Commission carries out Community policies

22. Political control and the grant of the discharge involves wider responsibilities than merely checking the annual accounts. It entails a review of the manner in which the Commission has managed Community policies generally. In judging this aspect, the Committee on Budgetary Control has the benefit of the opinions of the specialised committees - notably the Committees on Agriculture; Social Affairs; Energy, Research and Technology and Development and Cooperation. The evolution of this enhanced control is still at the embryonic stage but progress is being made and the possibilities of using the discharge mechanism in a way that will give better political control over the Community bureaucracy and executive are being strengthened.

Summary

23. In the past few years, the Committee on Budgetary Control has made a major impact across the spectrum of political control of the management of EC policies and funds; it has ensured that there is greater heed paid to the value-for-money concept and that the Commission knows it must respond to the elected representatives of the taxpayers; fraud is being repressed; the EC budget as adopted is now being treated with greater seriousness by the Commission. The need for - and success of - the work of budgetary control has been widely recognised.

¹ Doc 1-463/79, para. 156 of the Annex

PART III - GLOBAL MANAGEMENT OF THE 1982 BUDGET

Use made of the 1982 payments appropriations

24. Following, for ease of reference, is a table which sets out the main figures pertaining to the implementation of the general budget of the EC for the 1982 financial year.

Utilisation of appropriations Sector	A. Appropriations for payment for the 1982 financial year (million ECUs)				B. Appropriations for payment carried over into 1982 (million ECUs)					C. Total of payments made in 1982
	1982 budget	Final appropriations 1982 (after supplementary receipts and transfers)	Payments made in 1982	Total of carryovers to 83	Cancellations	Carryovers from previous financial years (after transfers)	Payments made in 1982	Carryovers to 1983	Cancellations	
1. Administration (all institutions)	1 106.2	1 121.2	957.0	106.6	57.6	69.9	53.3	-	16.6	1 010.3
2. EAGGF Guarantee	13 217.3	13 124.3	12 257.3	2.7	864.3	162.4	112.2	-	50.2	12 369.5
3. Agricultural structures	772.1	763.7	483.5	277.2	3.0	302.7	162.6	120.1	20.0	646.1
4. Fisheries	75.8	81.5	50.7	30.4	0.4	4.1	4.1	-	-	54.8
5. Regional policy	2 823.0	2 957.8	2 765.8	174.4	17.6	242.5	242.5	-	-	3 008.3
6. Social policy	1 022.3	1 130.7	910.0	220.0	0.7	159.4	150.6	6.7	2.1	1 060.6
7. Research, energy etc.	410.4	462.6	345.7	112.9	4.0	107.5	92.0	8.6	6.9	437.7
8. Repayments to Member States	1 120.9	1 123.8	952.2	116.0	55.6	97.1	97.1	-	-	1 049.3
9. Cooperation with developing countries	803.3	945.3	598.1	345.3	1.9	258.5	188.0	-	70.5	786.1
TOTAL	21 984.4	21 994.3	19 320.3	1 385.5	1 288.5	1 404.1	1 102.4	135.4	166.3	20 422.7

SOURCE : OJ no. C 357, 31.12.83, page 178

Substantial cancellation of appropriations

25. The main feature of the table is the high level of cancellations which, at 1,288.5 MECUs exceeded the combined total for the four preceding years by a considerable amount.

Cancellations

<u>Year</u>	<u>MECU</u>		
1978	115.9)	
)	
1979	112.3)	TOTAL : 1,043.1 MECUs
)	
1980	258.2)	
)	
1981	556.7)	

26. About 67% of these cancellations arose in the agricultural sector. Indeed, the cancellations in the agricultural sector would have been far greater were it not for the existence of transfers from chapter to chapter totalling 623.2 MECUs, or 909.2 MECUs if transfers out of EAGGF are considered.

27. The following table shows the pattern of cancellations over the decade 1973-1982. It will be noted that, after falling to a level below 1% in 1978 and 1979, cancellations have tended to rise steadily in the years 1980-1982.

<u>Year</u> ----	<u>Cancellations as % of</u> <u>total budget</u> -----	<u>Cancellations as % of total</u> <u>available appropriations</u> <u>(Budget and carryovers)</u> ---
1973	3.9	
1974	1.9	
1975	0.4	
1976	2.6	
1977	7.2	
1978	0.9	2.0
1979	0.8	1.9
1980	1.6	2.1
1981	3.0	3.4
1982	5.9	6.2

Source : OJ no. C357, 31.12.83, page 178 and earlier ECA reports

Carryovers

28. As the following table shows, carryovers as a percentage of the total budget were at an unacceptably high level - because of existing procedures - until the end of the seventies. Improved management and the reform of the Financial Regulation brought about a change which is notable from 1980 onwards.

<u>Year</u>	<u>Carryovers as % of</u> <u>annual budget</u>
1973	27.3
1974	32.3
1975	19.8
1976	23.5
1977	17.4
1978	12.4
1979	10.0
1980	6.8
1981	6.4
1982	6.3

Source: OJ No. C 357, 31.12.1983, page 178 and earlier ECA reports

29. Parliament has protested in a previous report¹ about the extent of carryovers. The existence of large amounts of unspent funds at the end of the financial year indicates a failure on the part of the Commission to implement the budget fully in the financial year for which it was voted. Apart from the loss in value of the appropriations due to erosion by inflation, the failure to spend money in the budgetary year can have the effect of discouraging eminently desirable schemes and of thwarting the wishes of Parliament; the consequences for food aid and training programmes are obvious. The carryovers were particularly high in the following sectors: cooperation with developing countries (36.5%), energy and research (24.4%), agricultural structures (36.3%).

¹ Doc 1-150/80

Under-implementation

30. If the total for carryovers and cancellations is examined, one gets a picture of the global extent to which Parliament's wishes were not respected. This has been considerable, as the following table shows:

(1) Year	(2) Carryover to following year	(3) Cancellations	(4) Total (2) + (3)	(5) (4) as % of budget for year
1978	1527.7	115.9	1643.6	13.3
1979	1450.7	112.3	1563.0	10.8
1980	1108.4	258.2	1366.6	8.4
1981	1172.8	556.7	1729.5	9.4
1982	1385.5	1288.5	2674.0	12.2

31. Thus about one-eighth of the budgetary appropriations for 1982 were unspent in that year. 5.9% of the year's appropriations were cancelled. Of course, bad estimation in the agricultural expenditure sector was a major contributory factor but the fact remains that, after taking account of transfers, the level of carryovers and cancellations far exceeded the level of Parliament's amendments¹ to the 1982 budget.

32. Were it not for the transfers between chapters totalling 909.2 MECUs, the cancellations in the EAGGF Guarantee sector would have been over one and a half billion ECUs. In the light of these figures, it is difficult to appreciate the judgment given by the Court of Auditors at paragraph 4.9(b) to the effect that, 'In practice, the Court has not found any notable case of persistent over- or under-estimation which would have revealed a true weakness in the quality of the estimates'.

¹These totalled about 500 MECU in payment appropriations and about 700 MECU in commitment appropriations

Longer-term trend of the main items of expenditure

33. The following table shows by percentage the main items of the expenditure side of the EC budget for the ten years 1973 to 1982:

Year	Admini- stration	EAGGF Guarantee	EAGGF Guidance	Social Fund	Regional Fund	Research invest- ment energy	Cooperation with developing countries
1973	6.0	79.3	3.1	1.2		1.8	2.6
1974	7.5	72.6	2.8	5.3		1.7	3.7
1975	5.8	75.2	2.9	2.1	1.4	1.8	5.1
1976	5.8	73.6	3.0	3.5	3.8	1.6	1.9
1977	5.7	70.9	3.4	3.6	4.3	1.6	2.5
1978	5.7	77.4	2.7	2.4	2.1	1.7	2.2
1979	5.4	72.5	2.8	4.1	3.6	1.8	2.8
1980	5.0	69.3	3.7	4.5	4.5	1.8	3.1
1981	5.3	61.6	3.2	4.2	4.5	2.0	4.8
1982	5.0	60.6	3.2	4.4	4.8	2.0	5.8

SOURCE: OJ No. C 357, 31.12.1983, page 180
and earlier reports

34. It is evident from the above table that the administration cost as a percentage of the total budget has shown a downward trend. This is, in part, due to the fact that Community policies are operated through the civil services of the Member States. Expenditure in relation to EAGGF Guarantee as a share of the total has fallen - from about four-fifths of the total in the early seventies to about three-fifths in the recent past. This trend is, of course, partly attributable to the steady growth in outlay on the Social and Regional funds, but also to some improvement in overall management.

How the EAGGF-Guarantee expenditure has evolved in recent years

35. The following table shows the shares of total expenditure that have been devoted to the various agricultural product headings over the years 1978-1982.

<u>Heading</u>	<u>% of total budget</u>				
	1978	1979	1980	1981	1982
Cereals and rice	10.0	11.2	10.6	11.0	9.2
Sugar	6.4	6.5	3.5	4.3	6.1
Fats and protein plants	4.9	4.6	4.6	6.1	6.3
Fruit and vegetables	1.9	3.1	4.2	3.6	4.5
Wine	0.7	0.4	1.9	2.6	2.8
Tobacco	2.6	1.6	1.9	2.0	3.0
Milk products	28.3	31.5	29.2	18.8	16.3
Meat, eggs and poultry	5.8	6.5	9.9	10.5	8.0
Other markets	1.9	2.2	1.7	2.3	2.9
Agri-monetary measures	14.9	4.9	1.8	1.3	1.5
Clearance of the accounts	-	-	-	-0.9	-
Total	77.4	72.5	69.3	61.6	60.6

Source : OJ No. C357, 31.12.1983, page 180

36. Cereals have accounted for a constant 10% of the total budget over the years; dairy products have fallen from over one-quarter of the total budget to less than one-sixth; the share devoted to agri-monetary measures has declined; expenditure on fruit and vegetables has increased from 1.9% of the budget to 4 1/2%; generally, with the exception of dairy products, the actual sums devoted to each of the items listed has increased very substantially. In 1982, the expenditure on tobacco, at 622.6 MECU, was about double that in 1978. Expenditure on wine rose from 89 MECU in 1978 to 570.6 MECU in 1982. Expenditure on meat, eggs and poultry rose from 695.4 MECU in 1978 to 1625.9 MECU in 1982.

Agricultural structures

37. In one sector - agricultural structures - there has been a slow but steady improvement with a year-by-year decrease in carryovers and increasing payments, as the following table shows:

	Payments from year's <u>appropriations</u>	Carryover to the <u>following financial year</u>
1978	143.2	570.3
1979	93.6	434.9
1980	285.6	305.2
1981	457.0	209.4
1982	483.5	120.1

However, when account is taken of the serious structural problems which exist in rural Europe and when regard is had to the surpluses which exist in the case of several products, the failure in the past to strive harder for results is to be regretted.

Transfers

38. Transfers between chapters totalled 1137 MECU for payment appropriations and 1230 MECU for commitment appropriations in 1982. This meant that 5.2% of the initial payment appropriations and 5.3% of initial commitment appropriations in the budget changed destination. Apart from these transfers, the destination of other appropriations was changed by way of transfers within chapters. The sums involved here were also considerable, but were not mentioned separately in the annual accounts or in the report of the Court of Auditors; these transfers are undertaken on the Commission's own responsibility and do not require budgetary authorization. However, global figures at least ought to be published in the annual accounts. It should be remembered that the amount of transfers in 1982 was influenced by the absence of an amending budget so that certain corrections were effected by way of transfers, principally transfer number 30 of 1982 which was of the order of 240 MECU.

PART IV: IMPLEMENTATION OF PARLIAMENT'S AMENDMENTS TO THE 1982 BUDGET

Sustained view of Parliament

39. On several occasions, in the context of the discharge decision and in other reports, Parliament has insisted that there is a duty on the Commission to implement the amendments voted to the annual budget by Parliament.
40. For instance, in the comments accompanying the decisions granting discharge in respect of the budget for the 1977 financial year (the AIGNER report), the following paragraphs were adopted by Parliament¹:
- "2. Considers that the justifications given by the Commission for not using the appropriations entered in the 1977 budget by Parliament's amendments are inadequate as an explanation of the fact that the decisions of the budgetary authority have been ignored; the more so in that the Council apparently felt no obligation to inform Parliament that the implementation of the budget had raised problems that would have warranted the initiation of a conciliation procedure.
3. Notes that, in the 1977 budget, the failure to implement appropriations had a particularly adverse effect on new policies and points out that such failures are a built-in feature of many areas of the budget and lead to a diminution of the budgetary powers of the European Parliament."
41. Later, in the case of the comments accompanying the discharge in respect of the 1978 financial year (the BATTERSBY report), the following observations were made by Parliament²:
- "4. Deplores the fact that, once again, most of Parliament's amendments to the payments appropriations were implemented in a totally inadequate way and finds this virtual non-implementation unacceptable.
5. Finds that the reasons for this failure are two-fold: firstly, there was a lack of political courage on the part of the Commission in not implementing amendments that were of the utmost significance to the well-being of Europe and, secondly, there was an inadequate response by the Council and by the administration of the Member States."

¹OJ No. L 331 of 27.12.79, p.4

²OJ No. L 180 of 14.7.80, p.21

42. Again, in the comments accompanying the discharge in respect of the 1979 financial year (the IRMER report), the following paragraphs were adopted by Parliament¹:

"14. Points out that the inadequate utilization of appropriations in sectors rated as particularly important by virtue of the amendments adopted by Parliament in respect of the 1979 budget is due not least to the fact that the Commission has persistently failed to recognize the budget as an adequate legal basis for the utilization of appropriations.

15. Demands that the Commission should unequivocally recognize the budget as the legal basis for the utilization of appropriations."

43. Furthermore, in the resolution on the 1981 discharge (the Konrad SCHOEN report) attention was also drawn to the matter of the implementation of amendments².

The effort which goes into preparing Parliament's amendments

44. Parliament expends considerable energy, time and effort on the examination of the annual draft budget each year. In the case of certain policies - notably in the energy, social and regional spheres - carefully prepared amendments for relatively small amounts are put forward by the responsible committees, discussed in the political groups, considered in the Committee on Budgets, passed in Plenary by large majorities, then, frequently, explained in detail to Council in the context of the budget concertation meetings and finally included in the budget as adopted.

45. The amounts involved fall within the margin allocated to Parliament under the Treaties. The policies affected are of major importance to the less-favoured sectors of the Communities and the various Member States. The implementation of the amendments should impose no great burden on the Commission - given a modicum of good will on their part.

¹OJ No. L 224 of 10.8.81, p.6

²OJ No. C 161 of 20.6.83, p.99

Parliament's wishes not fully respected

46. Unfortunately, as is evident from the quotations in the first paragraph of this part, the Commission has failed to give satisfaction to Parliament in this matter. The deception of Parliament is all the greater because the failure of the Commission to implement the amendments does not come to light until it is too late to do anything about it. The failure to implement the amendments sets at nought the lengthy and complex efforts of Parliament to have the draft budget amended. To the extent that some amendments are partially implemented and the money is spent a year and a half or more later, the wishes of Parliament are not carried out fully. This is so because Parliament expressly wished the relatively small sums to have an impact in the budgetary year. Moreover, in certain cases - notably schemes for social purposes or of an industry-orientated nature - the delay of a year or more can result in what was a difficult situation being rendered intractable.

The extent of the failure

47. Before the Committee on Budgetary Control began its work, the attitude of the Commission to Parliament's amendments was deplorable. For instance, in the case of the 1977 financial year, 21 of the 29 amendments adopted by Parliament after much to-ing and fro-ing were not implemented at all. Five further amendments were implemented to the extent of less than half the amount voted. Therefore, only some 3 amendments out of 29 were implemented by the Commission in anything like a modestly satisfactory manner.

Payments appropriations in 1982 - added by way of amendments

48. Over the intervening years there has been some improvement. Nevertheless, the picture for 1982 was unsatisfactory. For the financial year, Parliament adopted 63 amendments, in all, to payment appropriations. 36 of these related to non-differentiated appropriations and 27 affected the payments part of differentiated appropriations.

49. Following the approach adopted by Lord Bruce, Mr. Imer, Mr. Aigner and Mr. Battersby, the picture for 1982 implementation of amendments is very bleak indeed, as the following table shows :

% of execution	No. of amdt's in category	%
0	31	49.2
0 - 10	1	1.6
10 - 25	12	19.0
25 - 50	7	11.1
50 - 75	2	3.2
75 - 90	2	3.2
90 - 100	5	7.9
100	3	4.8
	<u>63</u>	<u>100.0</u>

Therefore, just half of all the amendments (31 out of 63) were not implemented at all because the stage of payment of the sums voted by Parliament was not reached before the end of the budgetary year; only 3 were implemented fully and 12 amendments were implemented to the tune of 50% or more.

The amounts involved

50. To the non-differentiated appropriations for 1982, Parliament added, by way of the 36 amendments mentioned above, 133.3 mECUs, supplemented by 70.0 mECUs by way of transfers between chapters. Of this total amount (203.3 mECUs), 90.6 mECUs were actually paid out (i.e. 44.6% of the sum).

51. To the differentiated appropriations, Parliament added 353.5 mECUs in payment appropriations by way of the 27 amendments mentioned above and 110.6 mECUs by way of transfers between chapters, i.e. 464.1 in total. Here, the implementation was even worse. Only 185.2 mECUs (or 39.9%) was actually paid out in the financial year 1982.

Commitments appropriations

52. On 32 budget lines, the provisions for commitments were increased. The implementation of these amendments was as follows :

% of execution	No. of amdts in category	%
0	11	34.4
0 - 10	1	3.1
10 - 25	1	3.1
25 - 50	2	6.2
50 - 75	3	9.4
75 - 90	7	21.9
90 - 100	6	18.8
100	1	3.1
	<u>32</u>	<u>100.0</u>

53. These 32 amendments increased commitments appropriations by 562.7 mECUs, supplemented afterwards by 175.9 mECU by way of transfers within chapters. Of this total amount, (738.6 mECUs), 499.6 mECUs (or 67.6%) was actually committed.

Commission reaction

54. The Commission follows an entirely different approach and states that there are problems of various kinds that slow down the implementation of the amendments such as the absence of a legal basis in two or three cases. The Commission focuses attention on commitments, whereas the Committee believes that, with a minimum of effort on the part of the Commission, more could be paid in the budgetary year and this would reflect speedier and more effective entry into operation of the various schemes favoured by Parliament by way of amendments contained within the limits of its budgetary margin.

Summary

55. The Commission claims that by looking at the overall implementation and the use of commitments, a more favourable impression may be had of the budget implementation. The Committee on Budgetary Control felt that it would be worthwhile to look closely at the way in which the amendments to payments appropriations were implemented because this (i) is linked to Parliament's margin and (ii) indicates the delays in administration.

56. Parliament used its scope for amending the budget in a carefully-considered, rational and prudent manner. When one considers the amount of time spent in preparing these amendments in the specialised committees, in the political groups, in the Committee on Budgets and in plenary, the Committee on Budgetary Control felt it to be its duty to look closely at the way these amendments were implemented.

PART V - OTHER MAJOR CONSIDERATIONS

57. The preceding part of this explanatory statement analyses the unsatisfactory situation regarding the implementation of the amendments made by Parliament to the 1982 draft budget. The rapporteur considers it appropriate to deal next with some specific issues which affect the overall management of community affairs and which have a bearing on (i) the efficient use of EC resources and (ii) the way in which the Commission responds to the expressed wishes of Parliament.

58. One of these topics concerns the weakness which exists within the Commission in regard to overall financial analysis and management; this shortcoming may be attributable to the Commission staff being inadequately skilled.

59. There is need, of course, for a clear overall approach on the part of the Commission itself to its responsibilities. It should know what it is trying to achieve and be able to measure the results of its actions. This would help to guide its staff in their work and could make for a more rational and better-informed assessment of the use being made of funds and of the results being secured. Such a clear approach appears to be wanting.

60. The following paragraphs reflect a strong indictment of the Commission by the ECA in regard to the evaluation of EC activities.

Need for specialised evaluation techniques

61. The failure of the Commission to implement half (or more) of the amendments adopted by Parliament in a particular year has been attributed to a lack of political courage on the part of the Commission¹. Another reason could well be that the Commission's management and evaluation techniques are not geared to the point where that Institution is fully aware of the exact situation as to the use of appropriations on an up-to-date basis.

62. In the special report of the Court of Auditors², prepared following the European Council of 18 June 1983, one of the key factors for better control is given as

"the improvement of the Commission's own information tools in order to make the definition of the objectives of Community activities more consistent and the assessment of their results more systematic."

Of course, it is not enough to improve the Commission's information tools unless the Commission has the trained personnel with numerate skills to analyse and systematically appraise the emerging patterns.

63. At paragraph 3.23 of the annual report on the 1982 financial year, the ECA states that "it found that many of the decision-making processes were not subjected to such expected standards of documentation." At paragraph 4.37(b), the ECA states that "the real impact of the co-responsibility system taken overall becomes almost impossible to evaluate". Dealing with regional aid expenditure, the ECA states, at paragraph 6.20, that it "has not been able to obtain exact accounting data on the distribution of expenditure within the framework of the various aims set by the Regulation, and therefore, as matters stand, it cannot express an opinion on the management of the resources in question."

64. At paragraph 8.9, the ECA refers to the functional accounting system at the JRC and states

¹ O.J. No. L.331, 27.12.79, page 4, para. 3 of the comments.

² O.J. No. C.287, 24.10.83, para. 2.2.7(b)

'8.9. The system is complex. So that it may operate as an effective management tool, justify the considerable resources needed to operate it, and produce useful information, it is essential that there are agreed principles and clear procedural instructions which delegated authorizing officers and administrative staff understand and can use consistently.'

The ECA goes on to point out at 8.10 that

'8.10 A manual describing the objectives of the system and setting out budgetary, financial management and accounting procedures, together with a comprehensive annotated chart of accounts would assist greatly in this. At present, the JRC does not have such documents.'

65. References to further comments of the same character are listed here under:-

- in the case of the 1982 financial year:
paragraphs 2.39-2.40; 4.14-4.18; 4.44-4.46;
OJ No. C 357, 31.12.1983
- in the case of the 1981 financial year:
paragraphs 2.5-2.7; 2.11; 4.20; 4.22; 4.23-4.27;
5.11-5.15; 5.21; 7.23-7.25; 8.30; 9.10; 11.6-11.8;
OJ NO. C 344, 31.12.1982
- in the case of the 1980 financial year:
paragraphs 2.4; 2.8-2.11; 3.22; 3.35-3.43; 4.14-4.18;
4.33; 6.20-6.28; 7.12; 9.6; 9.22;
OJ No. C 344, 31.12.1981
- in the case of the 1979 financial year:
paragraphs 2.3-2.11; 3.15-3.17; 4.10-4.18; 4.73-4.96;
6.21; 7.13; 8.20; 8.33-8.34; 9.13; 9.37.
OJ No. C 342, 31.12.1980

66. In view of the tenor of the preceding paragraphs, it is apparent that the Commission should do much more to develop management capacity, financial information techniques, resource allocation and investment appraisal, and methods of measuring results within its services. Something must be done to set right the problems of a managerial nature within the Commission that have been identified by the ECA. An entirely new approach to budget management, to monitoring performance and to accounting systems would appear to be essential if the weaknesses detected by the ECA are to be put right. After five years, the Committee finds that the basic faults identified fall squarely on the shoulders of the Commission.

Failure of the Commission to take full account of the rejection by Parliament of draft supplementary and amending budget (No 1) of 1982

67. As a result of Council decisions of 25 May and 26 October 1982, payment of budgetary compensation to certain member states was agreed in respect of the 1982 financial year. The amount was not called into question; what gave rise to some discussion in Parliament were the conditions relating to making the payment.

68. In November 1982, the Commission made its dispositions for funding requirements for December 1982, and estimated the amounts required for the budgetary compensation mentioned in the preceding paragraph. At that stage, the relevant draft supplementary and amending budget was being considered by the budgetary authority. However, this draft supplementary and amending budget was rejected by Parliament on 16 December 1982. Nevertheless, the Commission continued with currency transactions involving the purchase of a further 50 million pounds sterling - thus totally ignoring Parliament's action.

69. Although the supplementary and amending budget for 1982 was rejected, the Commission points out that Parliament had not called into question the principle of the refunds when the conditions for implementing the appropriations had met with Parliament's approval.

70. The Commission points out that the Finance Council took two decisions when it met on 17 December 1982: firstly, it decided not to contest the 1983 budget; secondly, it decided that "the two countries concerned (Germany and the United Kingdom) should not be put in a worse position than intended under the conclusions of 26 October 1982."¹

71. The Commission makes the point that, sooner or later, it would have to pay out the amounts in question. The Commission's action in holding a currency for which it had no immediate need, and contrary to the provisions of Article 12 of Regulation 2891/77, was tantamount to currency speculation.

72. In regard to this issue, Mr. Notenboom, the committee member responsible for the sector, wrote as follows:

¹ OJ No. C357, 31.12.83, page 218

"...- it is noted that the Commission has deliberately acted in contravention of the rules (Article 208 of the EEC Treaty and Article 12(1) and (3) of Regulation 2891/77)." ¹

73. There is also a political aspect. Despite the fact that the European Parliament rejected the supplementary budget in question, the Commission went ahead to satisfy the wishes of the Council. This is a case of ignoring the fact that the budgetary authority is made up of two partners; it is a case where the Commission took no account of the will of Parliament. On this aspect, Mr. Notenboom writes:

"...-it is clear that the political wishes of the Council could not have been put into effect to the same extent without the complicity of the Commission and its readiness to subordinate the financial provisions to these wishes;

- as a consequence of the above the Commission has undermined and weakened the budgetary power of the European Parliament in its ultimate expression, namely the rejection of the budget; the European Parliament must secure a new and clear recognition of this important power..." ²

74. Indeed, the attitude of the Commission and their willingness to put into operation a possible supplementary budget (No. 1) of 1983 contrasts starkly with the reluctance of the Commission to implement simple amendments adopted by Parliament in plenary session and accepted by Council which related to far smaller sums for eminently desirable purposes.

¹ PE 88.591, p. 13, para. 24, first indent

² PE 88.591, p. 13, para. 24, third and fourth indent

Development and cooperation

75. This sector of Community activity has been regarded as being of major importance because it involves the EC with about one hundred other states all over the world. It involves participation in a wide range of activities: investments, training scholarships, industrial cooperation trade promotion and food aid.

76. Annexed to this report are (i) the opinion of the Committee on Development and Cooperation and (ii) the working document prepared by Mr. Irmer. Both of these texts analyse the situation in relation to this sector in 1982 very comprehensively: therefore, the following remarks can be succinct.

77. Insofar as Title 9 of the budget is concerned, 1982 saw a falling-off in performance as compared with 1981. The rate of payment was 65.3% as against 71.6% the previous year. The quantity of food to be delivered at end 1982 had increased in relation to the previous year. Scarcely any of the appropriations available for quality control were used and 0.8MECU of these were cancelled. In the case of chapter 93, assistance to non-associated developing countries, only 38.9% of payments appropriations were utilised in 1982 as against 86.8% in 1981. Only 65.3% of appropriations for assistance to non-governmental organizations was utilized as against 93% in 1981.

78. Both the opinion and the working document are critical of the administrative procedures which are far too cumbersome: 22 steps are involved in the procedure for ordinary aid and 18 steps for urgent aid. Because of the inflexibility of the arrangement under the Lomé Convention, it is difficult to resolve the problems of Stabex transfers.

79. The Council, too, is strongly criticised because it reached decisions so late regarding food aid allocations and the campaign to eliminate hunger in the world.

80. The ECA has cited a series of shortcomings in the Commission's management of the EDFs. There have been considerable delays in the drawing up of the revenue and expenditure account and the balance sheet by the Commission (paragraph 15.7). On 14 May 1982, the Council decided to grant certain countries a supplementary amount of 40 MECU: but at end 1982 no commitment or payment had been made in respect of this amount (paragraph 15.11). The balance sheet of the fourth EDF contained some inaccurate data (paragraph 15.12). The Commission has not proposed amending the Financial Regulation applicable to the fifth EDF to rectify the financial consequences of late payment of contributions by certain Member States (paragraph 15.13). The calculation of the Commission's cash requirements is very poor (paragraph 15.14). The Commission's practice of not recording payments until after receipt of the relevant bank statements compels the finance department to keep the balances in its bank accounts at an unnecessarily high level (paragraph 15.15).

81. The ECA examined three projects during the course of 1982. The findings are set out at paragraphs 15.19 onwards. These reveal a wide range of shortcomings at every stage - design, award of contracts, contractual guarantees and implementing the work. The ECA places a significant part of the responsibility for failures on the Commission and its delegation on the spot.

82. One disturbing matter brought to light by the ECA in the case of the failed Sibiti-Niari Valley road project in the Congo is the fact that the Commission delegate states that "the civil engineer adviser visited the construction site every fortnight: the imprest accounts of the delegation for the period of the works does not however contain any travel expenses for such journeys. The road was situated 300 km from Brazzaville." (paragraph 15.29). The Commission's reply does nothing to answer the criticisms - "The conditions for the project appeared extremely favourable to the Commission and the delegation on the spot: this made the delegation staff in particular over-optimistic about how the work would progress."

83. The preceding paragraphs do no more than mention some of the very many problems related to the management by the Commission in this sector. Overall, the 1982 results were bleak and unsatisfactory in a sphere which is

considerable political, social and humanitarian importance. With fifteen million people dying from starvation each year, with the agricultural production capacity of Western Europe underutilised, with clear indications given by Parliament in political statements and by way of amendments to the budget, the Commission's negligence is intolerable.

84. It is most unsatisfactory that the Commission has failed totally to follow the wishes of Parliament - expressed frequently over recent years - that procedures should be reformed so as to enable food aid to be distributed more effectively and more speedily. In the conciliation procedure on the basic regulation, the Commission went over to the Council side and accepted a clumsy procedure.

85. The Parliament and the ECA have constantly sought over the past five years the same improvements in the delivery of food aid - packaging, transport etc. - but the ECA has now been obliged to state that no such improvements have taken place. This unwillingness on the part of the Commission to change for the better even in minor matters has had the most serious consequences for the recipient and donor countries. The criticism affects primarily the food aid sector. Although problems have been identified also in the sphere of the EDFs, these are less grave.

PART VI - FURTHER CONSIDERATIONS

(a) regarding the Commission

87. Annexed to this explanatory statement are the opinions of six other specialised committees¹ together with thirteen working documents prepared by colleagues in the Committee on Budgetary Control. Following is a list of the main additional problems identified in these papers or discovered by the rapporteur in relation to the implementation of the 1982 budget.

- there are major differences of opinion between the Commission and the Court of Auditors in regard to accounting issues and the figures in the EC balance sheet in respect of the 1982 financial year (chapter 2, ECA report 1982);
- despite repeated insistence by the European Parliament, major obstacles to the free movement of goods persist and these are estimated to cost the EC annually about 12,000 MECUs (equivalent to the total cost of the CAP) in combined cost of delays and administrative waste; the Commission has not been forceful enough in seeking to have the basic problems cleared up so that crossing the frontiers of Europe in the late 20th century should not take longer than it did in medieval times;

Own resources

- there is a need for stricter monitoring of the generalised systems of preferences and Parliament should be informed in a clear and comprehensive way of the resulting annual shortfall in revenue - this has not been done adequately up until now (ECA report, 1982, paragraph 3.14)
- Member States receive a 10% allowance for the collection of own resources, but the Commission does not appear to have drawn up the appropriate minimum requirements that should apply before this allowance is paid;

¹ Committees on Agriculture; Energy, Technology and Research; Social Affairs and Employment; Regional Policy and Regional Planning, Youth, Culture, Education Information and Sport, and Development and Cooperation.

- delay in the ex post facto system of controls on import declarations as operated in one Member State is unsatisfactory because normal implementation of Regulation 1430/79 and Regulation 1697/79 is contravened, thus placing the post-clearance recovery of customs duties in jeopardy;

Dairy products

- the entire range of special disposal measures should be subjected to the most rigorous examination by the Commission (which should be in possession of the information necessary to carry out such studies) with the aim of discontinuing those which are not cost-effective (PE 86.189, para 72);
- it is considered that the level of surplus production in this sector indicates that the Commission has not tackled these basic problems in an effective manner; ⁽¹⁾
- furthermore, the Commission did not react, with sufficient speed, to the deteriorating conditions on agricultural markets, and has not used to the full its management powers to curb production, stimulate exports and expand consumption on the internal market; ⁽¹⁾
- the treatment of the coresponsibility levy in the budget as negative expenditure is inappropriate;

Products other than those of the dairy sector

- insofar as these are concerned, the conclusions at paragraph 64 of Mr. Wettig's document are relevant²;
- the Committee finds it most disturbing that long delays in the clearance of accounts in respect of the EAGGF Guarantee sector should have continued over the past decade;

EAGGF Guidance ⁽³⁾

- in the case of the EAGGF guidance section, considerable difficulties in implementation were encountered, notably as regards the utilisation of the payments appropriations, and the Commission should assess the relevant factors more carefully when estimating budgetary requirements;

¹ PE 86.199, para 73, annex III

² PE 88.547, annex IV

³ PE 88.498, annex V

- further, in 1982, the EAGGF Guidance section was unable once more to act sufficiently effectively to correct the structural and regional imbalances within the Community;
- the Committee agrees fully with the conclusions of the Court of Auditors that it is absolutely essential to improve the procedures for assessing objectives beforehand and for the subsequent monitoring of the effectiveness of the measures subsidised;
- further, the Committee stressed the need to deal more systematically with the agricultural structures policy and points out the large number of measures adopted and the lack of coordination with the agricultural markets policy;
- there is the obvious need for the Commission to make on-the-spot inspections, particularly with regard to the use of land which has been cleared as a result of the grubbing-up of vineyards, so as to ensure regularity;

Social sector (1)

- fuller and more accurate account should be taken of on-the-spot checks in the ESF annual reports, with more attention being paid in particular to the cases where repayment in full or in part has been required;
- in the case of chapter 62 (pilot schemes), the utilisation rate was only 58.7% as against almost 100% the previous year, further, in the case of chapter 61 the utilisation rate was 74.9% as against 85.5% in 1981 and for chapter 62 (39.7% as opposed to 43.9% in 1981);

 1 PE 88.778 and PE 88.592/def. annex VII and opinion of the Committee on Development and Cooperation

Regional sector

- the Committee repeats its findings that appropriations for the non quota section were insufficiently implemented;

Energy and research⁽¹⁾

- Parliament has consistently given high priority to the energy sector and therefore considers that the low rate of utilisation represents a serious failure to implement the political decisions embodied in the 1982 budget;
- the Committee draws attention to the fact that the Community must be reimbursed if a project is commercially exploited, recognises that the majority of projects have only recently been started but considers that the low rate of repayment is also the result of incomplete evaluation of the results of the projects;

as regards the research sector

- the Committee notes the fact that, despite the attention given to improving the management of direct action, the Court of Auditors felt obliged to report that there are still irregularities;
- the Committee is disturbed by the fact that the contribution of 7 MECUs to the Super Sara project has not been paid by Italy owing to the lack of a binding agreement;

Decentralised bodies⁽²⁾

- the Committee deplores the continuing weakness of the JRC financial control services and demands that major improvements be effected speedily;
- the Committee accepts the views of the Court of Auditors in regard to the 750,000 BF added to the salary reserve of the European Trade Union Institute and calls on the Commission either to take steps to recover the subsidy in respect of this increase in the reserve or to reduce the subvention for a later year correspondingly;

1 PE 88.780 and PE 88.992

2 PE 88.471

the Committee :

- observes that there are differences of opinion of a technical nature between the Court of Auditors and the management of the JET joint undertaking on certain accounting matters and expects that these will be resolved speedily to the satisfaction of the Court of Auditors;
- expects that, now that the internal auditor for the European Schools has been in office for over a year, the problems that came to light earlier are being ironed out and calls on the Court of Auditors to report on the matter, at a later date, if it judges it necessary to do so.

(b) regarding the Council

- finds the Council's incapacity to reach decisions on a whole range of issues affecting Western Europe to be profoundly disturbing;
- recalls that the Council in its recommendation on the 1981 discharge¹ expressed its concern "at the inconsistency in the communication of irregularities in the various Member States" and called on the Commission to submit a written report indicating "the obstacles to more extensive and speedy detection of irregularities" and setting out "the basic reasons precluding more extensive recuperation of sums wrongly paid"; is astonished to learn that the Commission has been unable to present such a report because all the Member States (who, of course, make up the Council) failed to provide the Commission with answers to a preliminary questionnaire;
- believes that the Council bears a major share of the political responsibility for the costly delays at internal frontiers, which would have been cleared up long ago had the Council been willing to carry out the modest reforms endorsed by Parliament and thereby could have ensured that the advantages of twentieth-century transport and communications facilities were reflected in gains to consumers.

¹ Doc 1-108/83 para 4.34.

CONCLUSIONS

88. During 1982, some of the policies favoured by Parliament and by the budgetary authority were, of course, implemented satisfactorily. However, in certain major instances and in many instances of secondary significance, the Court of Auditors and the Committee on Budgetary Control identified unacceptable situations.

Four major issues are:

- (a) the failure of the Commission to see to it that the amendments effected to the 1982 budget out of Parliament's margin were utilised. This is evidence of serious administrative delay which frustrated the political will of Parliament as expressed in the 1982 budget;
- (b) the fact that the ECA found it necessary to highlight, in its report on the 1982 financial year, the weakness of the Commission in regard to financial management capacity, management accounting techniques, resource allocation, investment appraisal and methods for monitoring performance;
- (c) the political issue arising from the way in which the Commission effectively ignored Parliament's decision to reject the draft supplementary and amending budget (no. 1) of 1982 and went ahead to satisfy the wishes of the Council, thus undermining the budgetary power of Parliament;
- (d) the shameful situation in regard to the sector where funds were not spent, management was unsatisfactory, a clumsy arrangement was accepted in the conciliation procedure on the basic regulation because the Commission went over to the Council side, and the Commission's general negligence in this sector is unacceptable.

89. The Council, too, is to be strongly criticised for its indecisiveness, neglect and general incompetence in relation to EC affairs during 1982. However, in the present report, it is the Commission which is concerned, in the first instance, because the discharge decision is directed to the Commission.

90. In the light of all the factors described in this explanatory statement, in the accompanying working documents and in the ECA report, the rapporteur considers that discharge to the Commission must be deferred in respect of the implementation of the budget for the 1982 financial year.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Agriculture

Draftsman: Mr C. DELATTE

At its meeting of 1/2 February 1984, the Committee on Agriculture appointed Mr DELATTE draftsman.

The committee considered the draft opinion at its meeting of 28/29 February 1984 and at that meeting adopted the conclusions contained therein by 11 votes to 1.

The following took part in the vote: Mr DELATTE, vice-chairman, acting chairman and draftsman; Mr DALSSASS, Mr EYRAUD, Mr GATTO, Mr HELMS, Mr HORD, Mr KEATING (deputizing for Mr SUTRA), Mr MAHER, Mr PRANCHERE, Mr STELLA (deputizing for Mr LIGIOS), Mr TOLMAN and Mr VGENOPOULOS.

I. INTRODUCTION

1. This opinion for the Committee on Budgetary Control deals with the sections of the Court of Auditors' annual report for the financial year 1982 relating to the common agricultural policy and the fisheries sector.
2. It is not the aim of this opinion to make a detailed study of each budget heading but rather to discuss specific aspects of the functioning of these two policies to establish the lessons to be learned for their management in the future.

II. EAGGF - GUARANTEE SECTION

3. In the case of the common agricultural policy in particular, the Court of Auditors' report should be looked at in conjunction with that published on 24 October 1983 in response to the conclusions of the European Council of 18 June 1983 (Stuttgart European Council)¹.

4. In this report, the Court of Auditors highlights the low cost of the CAP compared to the benefits it brings in the area of employment and security of supply whilst safeguarding the price to the consumer. This analysis provides a reply to the criticisms of those who say that the CAP costs too much. And since the Court of Auditors cannot be accused of being biased, its comments are worth quoting here:

'During the last decade, the total gross costs (excluding Greece) of the policy concerning the organization of agricultural markets rose from 3,927 million ECU in 1973 to 11,717 million ECU in 1982². It therefore virtually tripled (+ 198%) in nominal amounts. The net costs, after deduction of the agricultural own resources (levies, sugar levies), showed an increase of 183%. In real terms, bearing in mind an average annual inflation of 10.2%, this increase is brought down to 18%, or an annual rise of 1.9%.

This relative increase in the cost of the common agricultural policy can be appreciated by comparison with:

- (a) the percentage of Community gross domestic product allocated to the CAP: 0.34% on average during the first five-year period and 0.44% during the second;

¹OJ No. C 287, 24.10.1983

²This figure would be even lower if expenditure not directly attributable to the CAP, in areas such as food aid, MCAs or derogations from Community preference, were deducted (see point 10 below)

(b) Community expenditure on food, of which it was equivalent to 1.8% on average from 1973-1977 and 2.2% from 1978-1982¹.

It is questionable whether an average annual increase of 1.9% in the cost of the CAP is an excessive price to pay for a strong and dynamic agricultural sector which is one of Europe's few natural resources.

This highly significant comment by the Court on the use of Community expenditure shows that with the exception of Ireland, Member States with a strong natural predisposition for agricultural production use the lowest percentage of EAGGF spending in terms of the product's added value: 8% in the case of Italy, 13% for France and Luxembourg, 15 to 20% for Germany and the United Kingdom and about 30% for Belgium, Denmark, Ireland and the Netherlands².

5. The annual report also shows that the level of appropriations actually spent was less than initially forecast (- 1005.2 million ECU). While this clearly reflects the difficulty of forecasting agricultural expenditure, one nonetheless wonders why - when the budget has been adopted - the Community fails to collect the revenue corresponding to the expenditure forecast, putting the amounts not used into a reserve fund. This reserve would provide greater flexibility in subsequent budgets for taking account of the many imponderables associated with harvest forecasts and fluctuations in world market prices. If, after a certain period - for example three years - substantial amounts were held in the reserve, they might be used to finance structural projects, particularly in the agricultural sector. A similar initiative was proposed by the Committee on Agriculture in its opinion³ on the 1984 budget. It deserves consideration by the Commission, since the Community would not be in such a dramatic overall financial situation now if such a mechanism had operated in the past.
6. The Court of Auditors also criticizes the operation of the co-responsibility programme. It points out in particular 'that it is impossible, when reading the budget, or the revenue and expenditure account, to assess what proportion of the revenue from the levy is used to finance the

¹OJ No. C 287, 24.10.83, paragraphs 2.1.2 and 2.1.3

²OJ No. C 287, 24.10.83, paragraph 2.4.1

³Doc. 1-900/83/Annex - Draftsman: Mr Blaney

so-called co-responsibility programmes, in relation to that used to finance the rest of the chapter covering the milk sector (about 900 million ECU from 1977 to 1982)'¹.

The co-responsibility levy has thus departed from its original objective of curbing dairy production and expanding the market for dairy products by seeking new outlets. As an instrument for curbing milk production, the levy has been a complete failure, since production increased by 15% between 1978 and 1982. Be that as it may, it is clear that the funds raised by the co-responsibility levy must be utilized in the dairy sector.

The Court of Auditors comments:

'With each development of the co-responsibility programme, a further departure is made from the original rules for financing the Guarantee Section'².

In the Court of Auditors' view, aid to small milk producers - which the Committee on Agriculture considers justified - has resulted in such different implementing rules in the Member States that it is virtually impossible to assess the real impact of the co-responsibility system as a whole. Here again, this criticism endorses that made by the Committee on Agriculture, which considers the co-responsibility system to be unfair and inefficient.

7. This being said, it is nonetheless true that one cannot go on granting unlimited aid to agricultural production indefinitely, even if there is still marketing potential, particularly for exports. The main need is for better guidance of farm production and more encouragement for production sectors in which the Community is not self-sufficient. It should not be forgotten that Europe is the world's largest importer of agri-foodstuffs.
8. In its report of 24 October 1983, the Court of Auditors discusses the serious problem of monetary compensatory amounts. Having drawn attention not only to the budgetary cost but also to the scale of management spending, the Court comes out clearly in favour of the abolition of MCAs by the introduction of a system of automatic and accelerated phasing out, which coincides exactly with the opinion expressed by the Committee on Agriculture in the report by Mr MARCK (Doc. 1-1370/83) on this subject.

¹ OJ No. C 357, 31.12.1983, para. 4.34(b).

² idem, para 4.37

9. In its report, the Court of Auditors also deals with the problem of bringing the support prices for European cereals into line with those in force outside the Community. It notes that 'the expected saving could only be achieved gradually and it is difficult to quantify, but it may be estimated at several thousand million ECU in current budgetary terms'.¹

It should be pointed out that Community cereals production costs have been coming into line with those of competing producer countries. The gap has narrowed considerably in recent years, by more than half in the case of common wheat, and substantially in the case of maize. After the transport costs of imported cereals are taken into account, the figures may be said to be close to parity.

For these reasons, the greatest possible caution is required if the Community agricultural sector is not to be destroyed by over-hasty action.

The fact is that world markets are really marginal markets; the United States by and large supports its agriculture as much as the European Community and is prepared to step up its use of subsidies to maintain its dominant position on the world cereals market. The recent sale of 1,300,000 tonnes of flour to Egypt, where the Community was edged out as Egypt's traditional supplier, is a case in point.

A fall in Community cereals prices would be likely to be matched by a rise in United States aid, and it would ultimately be the Community cereals producers who would bear the cost.

10. Failure to respect the principle of Community preference, and hence the Treaty of Rome itself, is a heavy drain on the Community budget. The Court of Auditors puts the cost at somewhere between 2 and 4,000 million ECU, a vast sum. It is clear that some extremely costly surpluses could be avoided if Community preference were more strictly applied.
11. The problem of fraud, in which the press in a number of countries takes such a delight, must be seen in perspective. In 1982, 213 cases of fraud were notified by the Member States; they involved a total amount of 35 million ECU, which amounts to no more than 0.28% of the budget of the EAGGF - Guarantee Section. Of these, 67 have already been settled, even if the amount recovered is on the modest side (0.7 million ECU). Consequently, while insisting on the need to combat fraud, their impact should be seen

¹OJ No. C 287, 24.10.83, paragraph 2.3.7

in perspective in any properly objective approach to the common agricultural policy.

III. EAGGF - GUIDANCE SECTION

12. In its annual report, the Court of Auditors deals with the application of Regulation (EEC) No. 1760/78 on the improvement of public amenities in certain rural areas and on vineyard restructuring or conversion operations.

Its conclusions link up with what was already known, namely that there is always an excessive delay between the adoption of Community measures and a start being made on their implementation by the Member States.

In the case of the wine sector, the Court of Auditors' comments are not always relevant, and reference should be made to the Commission's replies. However, it is true that the absence of a proper viticultural land register in Italy may lead to difficulties in implementing the measures designed to adapt vineyard potential to market requirements.

13. The comments made by the Court in its report of 24 October 1983, however, are on the lines of those made by the Committee on Agriculture in its report on new guidelines for the Community's structural policy in the agricultural sector (Doc. 1-923/83 - rapporteur: Mr Thareau). There is, therefore, no need to go into these in greater detail here.

IV. FISHERIES SECTOR

14. The Court's comments on the fisheries sector show that a number of producer organizations have not carried out all the tasks conferred on them and that the penalties they have imposed on members who have failed to meet their commitments vary considerably from one organization to another.

The Commission has asked the Member States to take the necessary steps to ensure that their producer organizations comply with Community regulations. The matter can therefore be considered closed.

V. CONCLUSIONS

15. Having studied the Court of Auditors' annual report for the financial year 1982 and its report in response to the conclusions of the European Council in Stuttgart, the Committee on Agriculture submits the following conclusions to the Committee on Budgetary Control:

The Committee on Agriculture:

1. Recommends that some of the conclusions reached by the Court of Auditors on the functioning of the EAGGF - Guarantee Section should be interpreted with caution, even though a large number of its comments are to the point;
2. Emphasizes the difficulty of financial forecasting in the agricultural sector;
3. Calls on the Community to collect own resources in full and to allocate non-utilized appropriations under the EAGGF - Guarantee Section to a reserve in order to finance the rise in farm prices or unforeseen expenditure; also asks that after a period of three years, the funds in the reserve that have not been spent should be used to finance structural measures, particularly in the agricultural sector;
4. Endorses the criticisms made by the Court of Auditors with regard to the concept of co-responsibility, which is incompatible with the basic principles of the CAP;
5. Regrets that the principle of Community preference has been undermined over the years and that the agricultural budget has inevitably suffered as a result, giving a false impression of the real cost of the CAP;
6. Affirms, accordingly, that stricter application of the rule of Community preference would enable significant budgetary savings to be made;
7. Condemns any move that would lead to the dismantling of the Community's agricultural system by bringing Community prices into line with those in force in competing countries;

emphasizes that all countries support their agricultural sector, thus giving agri-foodstuffs prices an artificial aspect and distorting competition;

calls, therefore, on the Commission to reconsider its proposal to bring Community cereals prices into line with those in the United States;
8. Points out that a trade war would benefit neither the United States nor the Community and that for this reason, trade agreements are essential;
9. Reiterates the need to abolish the MCA system, which gives rise to disparities in European farmers' incomes and causes budgetary expenditure;

10. Regrets the excessive delays by the Member States in implementing structural measures, which hardly augurs well for the future integrated Mediterranean programmes;
11. Considers that there is an urgent need for Italy and Greece to introduce proper viticultural land registers at an early date;
12. Considers that the scale of fraud under the EAGGF should not be exaggerated, even if vigorous measures should be taken to combat them so as to guarantee the proper use of public funds.

O P I N I O N

of the Committee on Energy, Research and Technology

Draftsman: Mr ADAM

On 25 January 1984, the Committee on Energy, Research and Technology appointed Mr ADAM draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 22 February 1984. It adopted the draft opinion on 22 February 1984 unanimously.

The following took part in the vote: Mr GALLAGHER, acting-chairman; Mr SELIGMAN, vice-chairman; Mr ADAM, draftsman; Mr CALVEZ (deputizing for Mr GALLAND); Mr FUCHS; Mr MARCHESIN, Mr MARKOPOULOS; Mr PETRONIO, Mr PURVIS; Mr VERONESI, Mrs VIEHOFF (deputizing for Mrs LIZIN)

I. INTRODUCTION

1. The remarks of the Court of Auditors on the execution of Title 7 of the 1982 Budget are contained in Chapter 8 of the report. Title 7 covers energy, research, industry, transport and other activities, including nuclear safeguards and the information market and innovation. However, in its 1982 audit the Court reports that it concentrated on certain aspects of the energy and research fields (Chapters 70 and 73).

Five of the 12 pages of Chapter 8 refer to the work of the Joint Research Centre (JRC).

2. The comments in the JRC section may be summarised under the following headings: budgetary management, determining the real cost of research activities, supervision exercised by the financial controller, an extraordinary contribution of the Government of Italy in respect of the abandoned Super-Sara project, and evaluation of research results.

3. In the pages devoted to energy, the main points covered by the Auditors, with respect to Community support for technical development projects in the hydrocarbons sector and the demonstration projects programmes in alternative energy sources and energy-saving, are: duration of legal bases, commencement of projects prior to approval, and management control, including project assessment and reimbursements.

4. The Auditors further state (8.44) that no progress has been made on improving the management of cost-sharing contracts in indirect action research - a subject which they dealt with at length in the 1981 report. Unless the matters raised by the Court at that time can be satisfactorily resolved, it is difficult to see how the Commission will be able to execute or monitor the Framework Programme with the degree of accuracy which such a complex enterprise demands.

II. THE APPROACH OF THE COMMITTEE ON ENERGY, RESEARCH AND TECHNOLOGY

5. In deliberating on the Annual Report of the Court of Auditors and on the discharge procedure, the Committee relies upon the Committee on Budgetary Control to analyse the execution of the budget from a financial and accounting point of view.

6. To the extent that the budget reflects policy priorities in the various areas of Community activity, and in particular in the areas falling within the competence of the Committee on Energy, Research and Technology, this Committee aspires to help the Committee on Budgetary Control by analysing the extent to which such policy priorities have been respected in the execution of the budget for any given financial year, and by drawing attention to any discrepancies.

7. This involves making observations on:

- (i) comments in the Court of Auditors report and on the Commission's replies;
- (ii) matters arising from the accounts for the financial year in question which have a political significance that the Auditors may not have felt it necessary to take into account;
- (iii) matters arising from past budget execution which may assist Parliament in drawing up future budgets.

8. Crucial to all this is the ability to follow through the development and use of appropriations for individual budget lines. This may seem an obvious requirement, but as things are it is no simple task.

9. First, the accounts for a past budget year - the Compte de Gestion et Bilan Financier (CGBF) - are not conveniently arranged or sufficiently informative. Second, when it comes to analysing individual lines, the Court of Auditors Report is no guide. The Report could not cover every line, but it could examine the development of a small number of very important ones.

10. The history of particular lines is set out in tables in Volume II of the CGBF. There are ten of these tables, and cross-reference has to be made. No information is given about transfers, beyond the total size into or out of each line in the year.

11. Thus, referring to line 7000 (hydrocarbon technology projects) in Table 4 (evolution and use of commitment appropriations for 1982 and carried-over), one finds that the 1982 budget appropriation of 23 mecu was supplemented during the year by a transfer of 8 mecu, but one is not told where that sum was transferred from, or why. Reaching the end of line 7000, one finds that, at the end of 1982, a sum of no less than 14.67 mecu was left outstanding and had to be carried over. This renders the transfer of 8 mecu even more difficult to understand.

12. The next line is 7030 - demonstration projects in coal liquefaction and gasification. This starts with a 1982 appropriation of 16 mecu, and ends with an unused surplus of exactly the same amount, although on the way there has been a transfer from the line of 2.1 mecu and a carry over to the line of 22 mecu, while commitments entered into during the year totalled over 19 mecu. These developments are more explicable if one knows the difficulties over demonstration projects in 1982, but there is no cross-referencing in the accounts, as there is in the budget, to relevant legislative acts and decisions.

13. Some information about transfers is given to Parliament during the course of the year, but no procedure has yet been formalised whereby the Committee on Energy, Research and Technology makes use of this information, in a routine manner, in the course of its deliberations on the preparation of the budget, or on the discharge.

14. The Committee should consider ways of adapting its working procedures in order to intensify its follow-up on the execution of the budget lines which are of interest to it, in the manner indicated above. This should also help it to draw a tighter link between the budgetary procedure and the legislative one.

15. The Commission should consider ways of making the presentation of the CGBF more convenient to the reader and more informative.

III. UTILISATION OF APPROPRIATIONS

(i) Energy (Chapter 70)

(a) Commitments

1982 budget	65.01	MECU
Available end-1981, minus transfers	71.64	

Total available	136.65	
Entered into in 1982	83.92	
Utilisation rate	61.41%	

(b) Payments

1982 budget	47.26	MECU
Available end-1981, minus transfers	30.08	
Total available	77.34	
Total Payments made in 1982	45.25	
Utilisation rates	58.64%	
Payments against 1982 approps only	6.83	
Utilisation rate, as against 1982 budget approps	35.60%	

16. The figures given above for total payment appropriations available and for total payments made do not tally with those given by the Court of Auditors (see Annex). This is mentioned only to show the difficulty of gaining a clear picture of the true situation from the CGBF and the Auditors' report itself.

17. The rates of utilisation given above for the energy sector are low. The Auditors draw attention to the low rate for Title 7 in general, excepting only Chapter 73, Research. Nevertheless the bar-chart on p179 of the report shows that the overall utilisation rate for Title 7 payments has been rising in recent year. As regards payments on the year's appropriations, the rate rose from 42.6% in 1978 to 74.7% in 1982.

18. Accordingly, the figure of 35.6% given above for energy gives cause for concern.

19. In Annex IV to the Auditors report (pages 215-217) the Commission replies to the comments contained in Chapter 8 of the report. As regards the under-utilization of payment appropriations in Chapter 70, the Commission makes three points:

- (a) the Council made its decision on the demonstration projects programmes very late in the year;
- (b) the rate of payments often depends on the rate of progress made by outside contractors on projects;
- (c) contractors sometimes withdrew from projects unexpectedly.

20. The Committee on Energy, Research and Technology can confirm that it was only on 23 July 1982 that the Council approved the use of a vital extra tranche of 55m ECU. This decision has to be set in the context of the long-standing difficulties over the Council's attempt to set financial ceilings on demonstration projects, outside the budgetary procedure.

21. Indeed, the Council decision only raised the 'ceiling' of expenditure sufficiently to allow expenditure up to the budgetary levels existing at the end of 1981. In other words, the whole of the 1982 budget allocation was deliberately blocked by the Council, and none of this was spent.

22. In 1982 the Commission published an assessment report on the progress of the demonstration projects programmes¹. In the Communication accompanying this report the Commission stated that "since November 1981 the programme has effectively been hampered as a result of the dispute between the budgetary authorities". It would therefore be wrong for Parliament to be too critical of the Commission for under-use of appropriations on the demonstration projects lines in 1982.

23. Continuing difficulties with the Council over demonstration projects led to a conciliation meeting between the Parliament and the Council on 22 June 1983. This became a subject of a report by Mr NORMANTON, which was adopted by Parliament on 16 December 1983².

24. Without going into too much detail here, it can be said that the problem of a late Council decision arose again in 1983. A decision was eventually made permitting the Commission to continue the programmes for the single year 1983. The speed with which the Commission acted thereafter to ensure that, as far as possible, the commitment appropriations available for 1983 were used within the very short period of time left available, deserves praise.

25. Information recently made available to the Committee by the Commission shows that the utilisation rate of commitment appropriations in Chapter 70 in 1983, taking into account appropriations both in the 1983 budget and carried over, was 93%³.

¹ Doc. 1-449/82

² Doc. 1-1151/82, OJ No. C313, 16.1.1984, p313

³ Notice to Members of the Committee on Energy, Research and Technology (PE 88.881)

(ii)	<u>Research (Chapter 73)</u>		
(a)	<u>Commitments - Direct Action (JRC - Article 730-733)</u>		
	1982 budget	154.72	MECU
	Available end-1981, after transfers	<u>53.18</u>	
	Total available	207.90	
	Entered into in 1982	184.50	
	Utilisation rate	88.74%	
(b)	<u>Commitments - Indirect Action</u>		
	1982 budget	190.85	
	Available end-1981, after transfers	<u>109.45</u>	
	Total available	300.30	
	Entered into in 1982	258.60	
	Utilisation rate	86.11%	
(c)	<u>Commitments - Consolidated utilisation rate: 87.19%</u>		
(d)	<u>Payments - Direct Action (JRC)</u>		
	1982 budget	142.72	
	Available end-1981, after transfers	<u>60.48</u>	
	Total available	203.20	
	Total payments made in 1982	159.20	
	Utilisation rate	78.35%	
(e)	<u>Payments - Indirect Action</u>		
	1982 budget	199.99	
	Available end-1981, after transfers	<u>26.71</u>	
	Total available	226.70	
	Total payments made in 1982	208.50	
	Utilisation rate	91.97%	
(f)	<u>Payments - Consolidated utilisation rate: 85.53%</u>		

N.B. A large proportion of the above figures for Indirect Action were accounted for by JET. See Table 8.1 in annex.

26. The Committee has reason to be satisfied with the utilisation rates achieved by the Commission in Chapter 73.

(iii) Other chapters of Title 7

The Committee takes note of the statistics on the utilisation of 1982 payment appropriations set out in Table 8.2 (see annex), which show that the situation was hardly more favourable in Chapters 71 (Nuclear Safeguards - 50%), 72 (General Research Projects - 28.6%) or 75 (Information Market and Innovation - 44.8%) than it was in chapter 70 (Energy - 35.6%).

The Committee takes note of the statement by the Commission that utilisation of commitment appropriations in Chapter 71 in 1983 was 100% (1), but it expects to be assured in due course that the rate of use of payment appropriations has also improved.

IV. EFFECTIVENESS OF EXPENDITURE

(i) Demonstration projects in alternative energy and energy-saving

27. The comments by the Auditors on the follow-up given to demonstration projects supported by the Community are worrying. The fact that such support is repayable if projects turn out to be commercially viable has generally been considered one of the great virtues of the scheme.

28. The risk that a significant number of the projects might turn out not to be commercially viable must always be inherent in programmes of this type. What is worrying about the Auditors' criticisms is that they suggest the Commission has in some cases been lax about even trying to find out whether the projects have proved viable or not. These criticisms occur in paragraphs 8.60 and 8.61.

29. The Committee is aware that following-up every project is no easy task for the Commission. Nevertheless, it is an indispensable one. Parliament has been a strong champion of demonstration projects, but the lack of adequate follow-up, particularly with a view to the reimbursement conditions, undermines its advocacy.

(ii) Joint Research Centre (JRC)

The Committee starts from the position that, given that there have been problems with the JRC, the present management should be given encouragement in all action it takes to put matters right.

¹ Notice to Members (PE 88.881)

30. Since 1982, a number of measures have been taken which, directly and indirectly, may be expected to have a positive effect on the work of the JRC. These include the new programme for the JRC (Linkohr Report (1)), the Framework Programme (Sälzer Report (2)), proposals on advisory structures (Sälzer Report (3)) and the JRC Administrative Board (Pedini Report (4)), and the Council Resolution of 28 June 1983 on a Community plan of action relating to the evaluation of Community research and development programmes (5) based on the preceding Commission communication (6). The report by Mr DELPECH, Research Director of the CNRS, for the Court of Auditors in December 1982 has also played a constructive role, as have the comments of the Auditors themselves in the 1982 and other reports.

31. As regards the specific criticism in paragraph 8.10 of the 1982 Report that there is no manual of standard budgeting and financial procedures for the JRC staff, your draftsman reports that such a manual has now been compiled.

32. In addition, forty project managers are about to be designated for the new research programme, with the aim of making management structure and function clearer in terms of individual responsibility.

33. As regards the evaluation of the scientific work of the JRC, these comments can be made:

- (i) It is to be hoped that the Council Resolution referred to above will have an effect;
- (ii) In particular, there must be a quantifiable improvement in the situation described by Mr DELPECH as regards publications and patents;
- (iii) At the same time, the point, mentioned by Mr DELPECH, that not all the work of the four JRC establishments is open-ended research of the type that leads to publications and patents, must be remembered; it would be unjust to denigrate good work that is being done on nuclear measurements, materials testing, etc., which is often done in response to specific requests.

¹Doc. 1-753/83

²Doc. 1-981/83

³Doc. 1-752/83

⁴PE 88.485/fin

⁵OJ No. C213, 9.8.1983, p1

⁶COM (83) 18 final, 3.3.1983

34. As regards the financial and accounting points in the Auditors' Report, the Commission must act on these. One crucial question can be asked about both the scientific and financial aspects of the JRC's activities: Is the JRC an environment in which objective criteria of individual performance are decisive? If the answer is negative, criticism and improvement must be pursued with increased vigour.

35. On the staffing situation, the Commission must be supported in its attempts to adapt the organisation of the JRC to meet the requirements of improved management, and of the new research programme. If the Commission comes forward with proposals for staffing, they must be given serious consideration with these aims in mind. Equally, the Commission must press the Council to accept concrete and realistic proposals for an early retirement scheme at the JRC. This should receive Parliament's support.

36. In its Opinion on the 1984 budget, it was proposed that the Committee on Energy, Research and Technology should make an own-initiative report on staffing matters at the JRC as an early priority in the new Parliament. This recommendation should be followed up.

(iii) Information Technology

37. The Committee wishes to draw attention to a matter arising since the closure of the 1982 accounts but which could influence its attitude to future budgetary and discharge procedures.

38. The Committee attaches very great importance to the proclaimed policy of the Commission, which is to encourage the development of the European information technology industry.

39. Accordingly, it wishes to be satisfied that, in the arrangements it makes for procuring information technology equipment, software and services for its own use, the Commission gives a fair chance to all would-be suppliers.

40. In 1983 the Commission introduced a new procurement procedure in this sector. According to representations made to the Committee, this procedure has not won the confidence of European computer manufacturers.

41. The Committee proposes to look into this matter, and expects to receive the help of the Commission.

1. CONCLUSIONS - GUIDELINES FOR FUTURE BUDGETARY AND DISCHARGE PROCEDURES

2. The Committee:

(i) Energy

(a) accepts that difficulties over late decision-making by the Council contributed to the low rate of use of payment appropriations with respect to demonstration projects in 1982, but relies on the Commission to continue to do everything in its power to minimise their impact. The committee approves the practice of issuing calls for tenders pending Council adoption of a regulation, provided that there is a corresponding budget line;

(b) strongly urges the Commission to improve the follow-up on demonstration projects and expects a significant improvement in rates of reimbursement;

(ii) Research - (A) Direct Action (JRC)

(c) expresses support for the efforts of the JRC authorities to improve the scientific, managerial and financial efficiency of the Centre;

(d) expresses satisfaction at the rate of use of appropriations achieved in Chapter 73 in the 1982 budget;

(e) hopes that the Council Resolution on the evaluation of Community research and development programmes of 28 June 1983 will have a positive, quantifiable effect;

(f) notes that a manual of budgeting and financial procedures for use in the JRC has been prepared; it hopes that the other recommendations made by the Court of Auditors Report in this sector will meet with an equally positive response;

(g) recommends that it should be an early priority of the Committee on Energy, Research and Technology in the new Parliament to prepare an own-initiative report on staffing matters at the JRC;

- (B) Indirect Action

(h) calls on the Commission to improve the management of cost-sharing research contracts in line with the comments made by the Court of Auditors in its Reports for 1981 and 1982;

(iii) Other chapters of Title 7

(i) notes with disappointment the generally low rate of use of payment appropriations in the chapters of Title 7, other than Chapter 73;

(j) believes that the policies enunciated by the Commission with regard to information technology, and reflected in appropriations entered in Chapters 73 and 75 of the budget, should not be contradicted by the Commission's in-house practices, and intends to satisfy itself that this principle is respected;

(iv) Future guidelines

(k) intends, in future, to intensify the follow-up which it gives to the execution of those sections of the budget in which it is interested, in the interests of enhancing its work both on the discharge procedure and on the preparation of future budgets;

(l) requests the Commission to consider ways of providing more and clearer statistical and explanatory information on the execution of the budget;

(m) requests the Court of Auditors to build on the praiseworthy innovations it has already made in the presentation of information on the execution of the budget by giving more and clearer statistical information in the specialist sections of its Annual Report.

Table 8.1 — Research, energy, etc.: commitments and payments in 1982

(Mio ECU)

Expenditure area (chapter of budget)	Commitments		Payments	
	Appropriations for commitment avail- able in 1982 ⁽¹⁾	Commitments entered into in 1982	Appropriations for payment available in 1982 ⁽²⁾	Payments made in 1982
Energy (70)	136,7	83,9	78,9	44,0
Research and investment: (73)				
— Direct action research	207,9	184,5	203,2	159,2
— Indirect action research ⁽³⁾	300,3	258,6	226,7	208,5
Industry, transport:				
— Industry (77)	62,5	17,8	40,9	15,1
— Transport (78)	11,5	1,5	2,2	1,1
Other activities:				
— Nuclear safeguards (71)	2,0	2,0	2,6	1,5
— Information market and innovation (75)	14,4	6,9	12,5	6,6
— Miscellaneous (72)	2,1	2,0	3,1	1,7
Total	737,4	557,2	570,1	437,7
Note: Comparable figures for JET ⁽⁴⁾	145,7	109,7	110,3	82,4

⁽¹⁾ Appropriations in the 1982 budget, plus appropriations remaining at the end of 1981, after transfers.⁽²⁾ Appropriations in the 1982 budget, plus carry-overs from 1981, after transfers.⁽³⁾ Including contribution to JET.⁽⁴⁾ Based on JET's budget (i.e. including Commission contribution).

Table 8.2 — Use of appropriations for payment in the 1982 budget

(Mio ECU)

Budget heading (chapter)	Appropriations in 1982 budget	Payments made against 1982 appropriations	
		Amount	% ⁽³⁾ ⁽²⁾
(1)	(2)	(3)	(4)
Energy (70)	47,2	16,8	35,6 %
Industry (77)	29,9	4,5	15,0 %
Transport (78)	1,5	0,4	26,7 %
Safeguards (71)	2,0	1,0	50,0 %
Information (75)	10,5	4,7	44,8 %
Miscellaneous (72)	2,1	0,6	28,6 %

COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENTOPINION OF THE COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Letter from the Chairman of the Committee on Social Affairs and Employment to Mr Heinrich AIGNER, Chairman of the Committee on Budgetary Control

Subject: Expenditure relating to the social sector in connection with the 1982 discharge, in the light of the Annual Report of the Court of Auditors (OJ C 357, 31.12.83) and of the Eleventh Report on the Activities of the European Social Fund (COM (83) 434 final, 30.06.83)

Dear Mr Chairman,

At its meeting of 31 January 1984 in Brussels, the Committee on Social Affairs and Employment considered the Eleventh Report on the Activities of the European Social Fund, together with the relevant chapters of the Annual Report of the Court of Auditors concerning the financial year 1982. Having noted in particular that:

1. even with a substantial 42.4 % increase over 1981 in the total resources available for commitments, 1982 saw a further widening of the gap between applications for assistance and the resources available, a reflection of the continuously worsening employment situation and of a concomitant increase, in particular, in the volume of applications concerning 'young people';

2. there was a welcome improvement in the rate of utilisation of commitment appropriations in respect of both chapter 60 (95.45 % as against 89.56 % in 1981) and chapter 61 (96.17 % as compared with 90.13 % in 1981). This is all the more commendable in view of the 43 % increase in resources, although, regrettably, this improvement did not extend to chapter 62 (pilot schemes), where the utilisation rate was only 58.7 % as against almost 100 % the previous year;

3. the situation as regards the rate of utilisation of payment appropriations was rather disappointing, notably in respect of (a) chapter 61 (74.9 % as opposed to 85.5 % in 1981) and (b) again, chapter 62 (39.7 % as opposed to 43.9 % in 1981). This apparent setback is, however, mitigated, in the case of chapter 61, by the fact that: (I) this lower overall percentage is essentially the result of the unsatisfactory performance in respect of items 6102 (technical progress) and, above all, 6100 (regions); (II) for the additional appropriations, totalling 104.5 mECU, allocated by transfer towards the end of 1982 to items 6010 (young people - training: +62.5 mECU), 6050 (women: +6.63 mECU), 6100 (regions: +30 mECU) and 6110 (handicapped: +10 mECU), the utilisation rate was more than satisfactory, except in the case of regions;

3 February 1984

The Committee on Social Affairs and Employment:

- stresses once again the continuing and indeed increasing relevance of the view put forward by Parliament in its resolution of 15.10.81, on the budgetary control aspects of the European Social Fund, that "in view of the high and steadily increasing number of unemployed which placed a serious burden on the Community's social structure and economic interests, the meagre resources of the European Social Fund must be managed all the more carefully in order to make them as effective as possible"¹;

- reiterates, in view of the fact that the Fund continues to be regularly over-subscribed, the concern expressed in Parliament's resolution of 17.11.83, on the proposals concerning the European Social Fund contained in the report by the Commission on ways of increasing the effectiveness of the Community's structural funds, "at the continuing high number of cases in which projects have been delayed, advances not spent, and projects have been cancelled altogether"²;

- welcomes the measures (on-the-spot checks, new system of payments control, etc.) taken by the Commission, not least in the context of the review of the European Social Fund, to remedy this situation, and urges it to step up its efforts in view of the need to ensure the optimal operation of the Fund in 1984 under its new rules.

Yours sincerely,

E. PAPAEFSTRATIOU

The following took part in the vote:

Mr PAPAEFSTRATIOU, Chairman; Mr FRISCHMANN, vice-Chairman; Mr BOURNIAS (deputizing for Mr Brok); Mr CALVEZ; Mrs CASSANMAGNAGO-CERRETTI; Mr COLLESELLI (deputizing for Mr Chanterie); Mrs DUPORT; Mrs DURY (deputizing for Ms Clwyd); Mr EISMA; Mr GHERGO; Mrs vanden HEUVEL (deputizing for Mr Boyes); Mrs KELLETT-BOWMAN (deputizing for Mr Simpson); Mrs MAIJ-WEGGEN; Mr van MINNEN; Mrs NIELSEN; Mr PATTERSON; Mrs SALISCH; Mrs SQUARCIALUPI (deputizing for Mr Damette); Mr TUCKMAN; Mr VANDEWIELE (deputizing for Mr Estgen)

¹ OJ C 287, 09.11.81, page 80

² OJ C 342, 19.12.83, page 91

COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

OPINION

in the form of a letter
to the Committee on Budgetary Control
on its report on the discharge in respect of 1982

23 March 1984

Dear Mr Chairman,

The Committee on Regional Policy and Regional Planning is pleased to comply with your request for its opinion on the above-mentioned report. In view of the time available, this must simply take the form of a letter.

On the basis of the Annual report of the Court of Auditors concerning the financial year 1982 (OJ No C 357, 31.12.1983), Chapter 6, 'Regional aid expenditure', and having regard to the Eighth report from the Commission of the European Communities on the European Regional Development Fund (COM(83) 566 final), on which the committee is at present drawing up an own-initiative report, the Committee on Regional Policy and Regional Planning has the following observations:

1. The Court of Auditors' view that the quality of the regional development programmes is vague in character and of little use in assessing projects submitted for Regional Fund assistance is shared by the Committee on Regional Policy and Regional Planning. It is also to be regretted that some Member States did not submit any updated regional development programmes for 1982.
2. Consideration of the impact of Fund assistance, especially as regards safeguarding and creating employment, gives rise to serious doubts. It is absolutely essential that a check is kept on the subsequent effects on employment in the future.
3. The Committee on Regional Policy and Regional Planning associates itself with the Court of Auditors' view that the economic effectiveness of the projects financed by the Fund should be more strictly checked. Purely financial scrutiny, the practice hitherto, will no longer suffice in the future. It would seem desirable to set up a special unit to check projects for economic effectiveness.

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4. The Committee on Regional Policy and Regional Planning shares the Court of Auditors' reservations concerning the implementation of the supplementary measures in favour of the United Kingdom.

The mechanism used 'is such that it is difficult to verify the regularity of the operations in question or assess their management' (see point 6.58). In the committee's view, these mechanisms should be more transparent and enable appropriate checks to be carried out.

I should be very pleased if these observations would lead the Commission to pay greater attention in future to the more effective use of budgetary resources for regional purposes.

Yours sincerely,

(sgd) Pancrazio DE PASQUALE

OPINION

OF THE COMMITTEE ON YOUTH, CULTURE, EDUCATION, INFORMATION AND SPORT

Letter from the chairman of the Committee to Mr H. AIGNER,
chairman of the Committee on Budgetary Control

Subject: Annual report of the Court of Auditors concerning the financial year
1982 (OJ No. C 357, 31.12.1983)

Dear Mr Aigner,

At its meeting of 1 March 1984, the Committee on Youth, Culture, Education, Information and Sport considered the sections of the annual report of the Court of Auditors that come within its terms of reference.

It adopted the following conclusions:

1. Welcomes the fact that the Court of Auditors considers the management of budgetary funds to be satisfactory at the Berlin Centre.
2. The same applies for the European Schools. The Court of Auditors recognizes that the majority of Schools administer an exceedingly complex set of financial rules and procedures in a satisfactory manner.
3. As regards subsidies granted to organizations that come within the committee's terms of reference, the Court of Auditors points out that the commission services involved have improved their procedures for managing subsidies in various ways, which is to be welcomed.

The Youth Forum's accounting systems in particular have been improved.

In its opinion on the annual report of the Court of Auditors for the financial year 1980 (see PEDINI opinion, PE 77.276/fin.) the committee had expressed some criticism and regret over various shortcomings revealed by

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the Court of Auditors, but now notes with satisfaction that improvements have been made since then so that the management of Community funds is becoming increasingly transparent and proper from both an administrative and accounting point of view.

With reference to the conclusions reached in the PEDINI opinion, which still remain valid, the committee notes that, the hopes and wishes expressed therein have, according to the report of the Court of Auditors for the financial year 1982, been taken into consideration by the bodies responsible for the management of the Community, which is encouraging for the present and the future.

Yours sincerely,

(sgd.) Bouke BEUMER

The committee unanimously adopted this opinion.

The following took part in the vote: Mr BEUMER, chairman; Mr TREACY and Mrs BOSERUP, vice-chairmen; Mr ALEXIADIS, Mr ARFE, Mr BØGH, Mr MARCK (deputizing for Mr BROK), Mr PAPAPIETRO (deputizing for Mr FANTI), Mr SIMMONDS and Mrs VIEHOFF

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mrs M.L. CASSANMAGNAGO CERRETTI

On 25 January 1984 the Committee on Development and Cooperation appointed Mrs CASSANMAGNAGO CERRETTI draftsman.

At its meetings of 3 February 1984 and 15 February 1984 the committee considered the draft opinion and adopted it unanimously on 15 February 1984.

The following took part in the vote under the Chairmanship of Mr Poniatowski : Mr Denis, Vice-Chairman;
Mrs Rabbethge, acting draftsman; Mr Cohen, Mr de Courcy Ling, Mrs Dury,
Mr C. Jackson, Mr Loo, Mr Sablé, Mr Simpson (deputising for Mr Pearce);
Mr Vankerkhoven, Mr Wawrzik.

The Committee on Development and Cooperation,

- having regard to the Annual Report of the Court of Auditors concerning the financial year 1982 accompanied by the replies of the institutions¹,
- having regard to its previous opinions on budget discharge,
- notes the importance of the European Community's development policy and its successes with regard to its role in the world and particularly in the North-South dialogue; considers that this policy has given the Community a positive image in the Third World; stresses, however, the need for continuous critical examination so as to bring about necessary improvements;

Title 9 of the Budget

1. Notes that the rate of payment appropriations under Title 9 of the Budget was lower in 1982 than in 1981 (65.3% as opposed to 71.6%), particularly in respect of Chapters 93, 94 and 95, while 72.3m ECU payment appropriations were cancelled (69.1m of these being in Chapter 96 - cooperation with Mediterranean countries);
2. Notes, with regard to food aid, that quantities still to be delivered at the end of 1982 had increased in relation to the previous year, even excluding the 72,000 tonnes of cereals allocated for the campaign against hunger in the world on 3 December 1982;
3. Notes also that the under-utilisation of payment credits, which particularly affected Chapters 93 to 95 was in part a consequence of the Council's late adoption of certain measures under the 'hunger in the world programme';
4. Strongly condemns the reference by the Commission to Regulation No 3331/82 in its reply to the Court of Auditors², as the regulation in question, which was the subject of an unsatisfactory conciliation procedure, is detrimental to the powers of the Commission and the European Parliament and consequently unacceptable to the latter;
5. Condemns late decisions by Council regarding food aid allocations under the 1982 programme and the campaign to eliminate hunger in the world;

¹OJ No C 357 of 31.12.1983

²OJ No. C 337 of 31.12.1983, para. 10.12, p.221

6. Criticises the long delay between decisions to grant food aid and the aid reaching its recipients;
7. Calls on the Commission to inform the Parliament of steps it will take to reduce the long delays between requests for food aid and the aid reaching the recipients;
8. Is dissatisfied with the use made of counterpart funds by recipients of food aid, and is consequently pleased to note that the Commission is preparing a coordinated system to ensure greater transparency in the utilisation of counterpart funds and to ensure that recipient countries honour their obligations;
9. Regrets that the appropriations available for quality control gave rise to virtually no payments, and that 0.8m ECU from these were cancelled at the end of 1982; stresses the importance of quality control of food aid at all stages;
10. Calls on the Commission to implement fully the recommendations made by the Court of Auditors in its special report on food aid prepared for the European Parliament in 1979, by the European Parliament in the Irmer report¹ on problems in the implementation of Community food aid policy in the light of the Court of Auditors' report, and by the Court of Auditors in its previous annual reports;
11. With regard to triangular transactions, encourages the Commission to purchase food products in third countries at the most advantageous price possible while recognising that such transactions must take place with the least possible delay;
12. Calls on the Commission to do all in its power to improve the packaging and labelling of food aid, particularly in the light of the criticisms made by members of the Committee's delegation to Ethiopia, Djibouti and Somalia in 1983;
13. With regard to Chapter 93 (assistance to non-associated developing countries), notes that only 38.9% of payment appropriations were utilised during 1982 (compared with 86.8% in 1981) partly due to a transfer of 58 mECU at the end of the year, 115.3 mECU being carried over; insists on every effort being made to improve the situation in future;

¹Doc. 1-98/82, OJ No. C 125 of 17.5.1982, p. 40

14. With regard to Article 941 (assistance to NGOs), notes that only 65.3% of payment appropriations were utilised in 1982 (compared with 93% in 1981);
15. Notes however that the total budget cost of the projects submitted by NGOs to the Commission is appreciably in excess of the funds available, despite the increases which have occurred;
16. Calls on the Commission to devise ways of improving the phasing of payments to take account of Parliament's express wish that NGOs should be given a more important role in the Community programmes;
17. With regard to Chapter 95 (disaster aid), notes that only 46.9% of appropriations were used in 1982 (compared with 96.7% in 1981), while recognising the extreme difficulty in forecasting requirements in this field;
18. Regrets the unsatisfactory rate of utilisation of appropriations under the Protocols with Mediterranean countries, and the unacceptably high level of cancellation;
19. Notes that the cancellation of credits were concentrated in Chapter 96 (co-operation with Mediterranean countries) and particularly the Turkey Financial Protocol;

The European Development Funds

20. Reaffirms its dissatisfaction that the European Development Fund is not at present contained in the Budget of the European Communities and is consequently not subject to parliamentary control;
21. Calls on the Commission, the Council and the Member States to make every effort to achieve the budgetisation of the 6th and of subsequent European Development Funds, or at least of certain important EDF instruments, and reminds the Commission that it had been requested, in the Committee's opinion on the discharge to be granted in respect of the 1981 budget, to submit a precise programme of action to this end before the opening of negotiations on the successor Convention;

22. Criticises the cumbersome administrative procedures by which projects are assisted under the EDF and calls for radical improvements under the new Convention;
23. Encourages the use of accelerated procedures for granting aid provided for in the Second Lomé Convention, where appropriate;
24. Regrets the lack of flexibility in the financial instruments set up under the Lomé Convention, which has made it difficult to resolve the problems of Stabex transfers;
25. Calls on the Member States to pay their financial contributions in time and on the Commission to introduce provisions in the financial regulation for the 6th EDF whereby interest is paid on late payments, by the Member State concerned, into the EDF;
26. Calls for the implementation of the proposals made in the Michel report¹ on the assessment of Community development policies and the role of the European Parliament, and insists on much more "ex-post" evaluation being carried out in respect of EDF projects;
27. Calls for much greater control by the Commission over the specialised agencies in the Member States responsible for managing scholarships provided under the EDF, the Mediterranean Agreements and assistance to non-associated developing countries;
28. Calls for more streamlined procedures in respect of the assistance provided to ACP States participating in trade fairs;
29. Requests the European Investment Bank to supply more comprehensive information in future on the use made of the EDF resources which it administers on behalf of the Community, this being important for control and consequently for the discharge procedure, greater transparency being of value to all parties concerned;

¹Doc. 1-942/80, OJ No. C 260 of 12.10.1981, p.72

30. Notes with surprise the allegation made by the Court of Auditors¹ that, in the case of funds administered by the European Investment Bank, even where bids concern projects financed by budget or EDF funds, they are open not only to tenderers in EEC and ACP countries but also to tenderers in countries from which the EIB obtains its own resources, including the United States and Japan; calls on the Committee on Budgetary Control to clarify this point;
31. Advises the Committee on Budgetary Control that, subject to the comments and criticisms formulated above, discharge may be granted in respect of those sections of the budget of the European Communities for 1982 falling within its competence and of the utilisation of the appropriations of the EDFs in 1982.

¹ Op. No. C 357 of 31.12.1983, para. 15.79, p.146

