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ANNEX II

to the report by Mr VERONESI

on behalf of the Committee on Energy, Research and
Technology

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OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr E.H. BROK

PE 86.034/fin./Ann.II

On 28 September 1983 the Committee on Budgets appointed Mr BROK draftsman of an opinion.

It considered the draft opinion at its meeting of 13 October 1983 and unanimously approved the conclusions contained therein at that meeting.

The following took part in the vote: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mr BROK, draftsman, Mr BAILLOT, Mr CROUX, Mr LALUMIERE, Mr NEWTON-DUNN, Mr MERTENS (deputizing for Mr ADONNINO), Mr SABY and Mrs SCRIVENER.

1. This proposal for a decision follows on from three other Commission documents dealing with information technologies :

- (a) the first analysed the importance of information technologies and introduced ESPRIT (COM(82) 287 final);
- (b) the second detailed projects for the pilot phase of ESPRIT and outlined the main programme (COM(82) 486 final/2);
- (c) the third took the form of a proposal for a Council Decision on initiating the preparatory phase (COM(82) 737 final);

The European Parliament's opinion on these three documents¹ was broadly positive.

2. Proceeding from the abovementioned preparatory documents, the purpose of this proposal for a decision aims to secure the adoption of the multiannual programme for ESPRIT.

The financial implications of this project total 1,438 million ECU, of which 748 million are to be met by the budget of the Communities and 690 million by the national administrations and other sectors at national level.

The multiannual schedule for intervention appropriations is as follows :

Commitment appropriations (m ECU)

	1984	1985	1986	1987	1988	1989 and sub	Total
Staff	5.5	9.8	10.5	11.2	12.0	-	48.9
Admin.	1.5	1.6	1.7	1.8	2.0	-	8.6
Contracts	246.0	190.6	119.8	68.0	66.0	-	690.5
TOTAL	253.0	202.0	132.0	81.0	80.0	-	748.0

Payment appropriations (m ECU)

	1984	1985	1986	1987	1988	1989 and sub	Total
Staff	5.5	9.8	10.5	11.2	12.0	-	48.9
Admin.	1.5	1.6	1.7	1.8	2.0	-	8.6
Contracts	41.0	88.6	129.8	147.0	157.0	127.0	690.5
TOTAL	48.0	100.0	142.0	160.0	171.0	127.0	748.0

¹ OJ No. C 314 of 30.11.1982, p. 44

3. The financial scale of the ESPRIT programme will pose a financing problem until there are further Community own resources. On this point, however, attention may be drawn to the report presented to the European Parliament by Mr M. ALBERT and Professor R. J. BALL¹, which demonstrates the existence of a 'multiplier effect of Community action'. According to simulations performed on the COMET III model², a concerted increase in public investment at Community level will be rewarded, in relation to the same action undertaken by each country individually, by a multiplier effect of the order of 2 to 4 on growth, depending on the country, and will produce an improvement of between 20 and 66% in external balance of payments and government spending compared with individual action.

Investment in the field of new technologies seems particularly likely to benefit from this multiplier effect.

4. In the preliminary draft budget for 1984, the Commission proposed the entry of 253 m ECU in commitment appropriations and 48 m ECU in payment appropriations against Item 7310. These appropriations formed an important part of the process of rebalancing the budget.

In its draft budget, the Council retained only 90 m ECU in commitment appropriations and 45 m ECU in payment appropriations. Pending its decision on the adoption of the programme, the Council has entered the appropriations in Chapter 100 (for transfer to Item 7335).

The entry of these appropriations in Chapter 100 appears to contrast with the Council's generally favourable attitude during the preparatory stages of the programme. The slight cutback in payments poses no threat to the programme's implementation; however, the large reduction in commitments may call into question the very nature of the programme. To begin with, it seems unlikely that in the first year the Commission will be able to achieve a rate of 50% of payments on commitments entered into, particularly if it does not wish to confine itself to merely reimbursing projects previously adopted and initiated at national level. Secondly, the commissioning of longer-term measures is a fundamental aspect of the programme.

With the budgetary procedure in mind, it can be stated here and now that without adequate appropriations this programme of advanced technologies will lose all effectiveness. In that event, it would be preferable to abandon it altogether.

5. Staff expenditure has been calculated on the basis of a complement of 150 temporary staff divided up as follows :
- in 1984 : 51 category A; 9 category B; 31 category C;
for 1985 and subsequent years : 83 category A; 17 category B; 50 category C.

¹ 'Towards European economic recovery in the 1980s'
EP Working Document of 31 August 1983

² Section 35 of the above report, p. 38

It should be noted that this staff expenditure will be included in Chapter 73 of Part B of the budget, and not in Part A, operating appropriations.

6. The aim of the programme is the achievement of technological parity with, if not superiority over, world competitors in the field of information technology within 10 years. This seems an extremely ambitious target when one considers that the share of the market in IT products and services taken up by European industry is only 10% in the case of the world market and under 40% in the case of its own internal market. Our balance of payments in this field was still in surplus in 1975, but it was already showing a deficit of \$5,000 million by 1981, and the annual deficit has in all probability now passed \$10,000 million. The project is to span a period of 10 years. The Commission document proposes a programme for an initial phase of 5 years. In a field where the pace of development is so rapid, it is in fact extremely difficult to make projections beyond 5 years. The financial effort to be undertaken in these first 5 years (1,500 million ECU), of which 50% will be borne by the Community, appears relatively modest in comparison with the backing which our principal competitors give to these activities. The total amount which Community industry invests in IT research and development may be estimated at some 5,000 million ECU per year, of which only a negligible fraction is devoted to long-term pre-competitive R & D. The 1,500 million ECU earmarked correspond to roughly 6% of total investment by Community industry in information technologies, and this follows closely the practices of our principal competitors.
7. The Commission claims that ESPRIT is a carefully and selectively targeted programme with specific objectives, not an 'aid programme'¹. The programme is designed to operate in three areas :
 - (a) Financial support for cooperative projects of precompetitive industrial R & D following agreed strategic technological lines. The Community's financial contribution will be 50% in most cases, payable in the form of subsidies. The selection of projects will be based on objective criteria rather than on quotas. In the case of larger projects, the participation of at least two companies with headquarters in different Member States will be a mandatory condition of eligibility. The expenditure will be laid down in cost-sharing contracts which will be concluded with industry and national research institutes. It should be noted that financial support of more than 50% may be granted to small and medium-sized undertakings, while the aid could even reach 100% in the case of university institutions which have been unable to obtain the backing of industry or a sponsor.
 - (b) The promotion of systematic consultation between the national administrations, academic institutions, industry and the Community with a view to achieving the best coordination of efforts and utilization of resources.
 - (c) The provision of infrastructural and organizational facilities to ensure careful selection, effective execution, proper monitoring and management and adequate dissemination of results of the actions. The Commission is asking for a large staff complement and emphasizes the need for a material infrastructure of efficient technical facilities. There will also be a Management and Consultative Committee, as proposed by the Commission in a separate communication² on structures and procedures for the common policy in the field of science and technology.

¹ p. 60, point 36

² COM(83) 143 final

8. In justification of its request for a complement of 150 temporary staff, the Commission gives the following breakdown of the necessary category A officials :

- 1 Head Coordinator;
- 3 officials for the Staff unit (Budget Planning Personnel);
- 6 Sub-Programme Coordinators;
- 30 Project and Contract managers for large projects;
- 24 Project and Contract Managers for small projects;

together with :

- 6 officials responsible for the continuous monitoring of the IT sector and the adjustment of ESPRIT objectives;
- 6 officials responsible for ensuring dissemination of the results within the agreed conditions;
- 2 officials responsible for providing reports to Parliament, Council and Member States on work progress and adjustments to the programme;
- 5 officials responsible for informing and consulting industry, SMEs, user groups, trade unions and the general public.

9. The Commission also points out that each category A official will be responsible for 20 million ECU over the anticipated 10-year period, in other words 2 million ECU per year. In other comparable Commission programmes, the category A officials are responsible for between 0.5 million and 5 million per year. The staff complement requested would be equivalent to less than 5% of the number of researchers involved in this programme. According to the Commission, the assignment of 10% of the total research workforce to R & D management and administration is generally held to be reasonable.

10. For the initial 5-year phase of this programme, the research and development effort has been estimated at approximately 2,000 'man years' per year, divided up as shown below :

The figure of 2,000 would be reached by the third year and would begin to fall in the sixth year.

TABLE 1

ESPRIT PROGRAMME : RESOURCE SUMMARY (MAN YEARS)

ACTIVITIES STARTED DURING FIRST PHASE - 1984 - 1988

	PILOT PROJECTS	84	85	86	87	88	89	90	91	92	93	TOTAL	
	0	1	2	3	4	5	6	7	8	9	10		
Projects starting in Year 0	230	325	327	192	125	30						999	
" " " " 1		420	551	629	540	519	20					2679	
" " " " 2			547	766	670	545	140					2668	
" " " " 3				328	428	450	256	68				1530	
" " " " 4					204	276	180	85	45			790	
" " " " 5						92	140	125	105	80	60	602	
TOTAL	N Years	230	745	1425	1915	1967	1912	736	278	150	80	60	9268

11. The Committee on Budgets appreciates that the management of a programme of this magnitude requires a large administrative infrastructure with a sufficient degree of autonomy and flexibility. It does not, however, see the need for including staff expenses and administrative costs in Chapter 73 of the budget. This new programme offers a good opportunity for adopting the practice of including staff and research appropriations in Part A of the budget : operating appropriations. This would greatly improve budget transparency.

12. It is not the task of the Committee on Budgets to express a judgment on the scientific value of this programme. Nevertheless, it would make a point of emphasizing that Community own resources are virtually exhausted and that all possible precautions must therefore be taken to guarantee the effective use of appropriations. In particular, pre-competitive research, which lies half-way between basic and applied research, requires a careful definition of the strategic objectives of the action and a highly selective approach as regards the projects to be supported. In this connection, the committee has great reservations about consultative bodies composed solely of representatives of the Member States. A separate opinion will be delivered on the Commission proposal COM(83) 143 final dealing with structures and procedures for the management and coordination of Community research, development and demonstration activities.

Conclusion

13. The Committee on Budgets

- (a) welcomes the proposal for a European Strategic Programme for Research and Development in Information Technologies (ESPRIT);
- (b) believes the Commission's estimates on the financial and budgetary implications of the programme to be well-founded, but points out that these projections must be reviewed and updated as part of the annual budget procedure;
- (c) points out that the budget appropriations for research and development must be worked out in such a way as to leave room for other existing research activities;
- (d) emphasizes the importance of the careful definition of the programme objectives and the fixing of objective quality criteria for the selection of projects so as to guarantee the effective utilization of available resources and prevent any duplication between the projects supported by the Community budget and those supported by national budgets;
- (e) considers the estimates on staff requirements to be acceptable; reserves the right nevertheless to study in the course of the budget procedure the extent to which these requirements may be covered by the Commission's current Establishment Plan and insists that the operating appropriations be entered solely under Part A of Section III (Commission) of the budget;
- (f) believes that every precaution must be taken to prevent an excessively centralist and bureaucratic approach from jeopardizing the optimum implementation of the programme and urges in particular that the contracting parties should be allowed to participate in an appropriate manner in the implementation of the programme;
- (g) requests the opening of the conciliation procedure should the Council wish to deviate from the Commission's proposals in a sense contrary to the principles listed above.

