

EUROPEAN PARLIAMENT

Working Documents

1983-1984

24 October 1983

DOCUMENT 1-900/83/A

Report

drawn up on behalf of the Committee on Budgets

on the draft general budget of the European
Communities for the financial year 1984

SECTION III - COMMISSION -

(Doc. 1-800/83)

PART A: MOTION FOR A RESOLUTION

Rapporteur: Mrs C. SCRIVENER

On 29 November 1982, the Committee on Budgets appointed Mrs Christiane SCRIVENER rapporteur on Section III 'Commission' of the draft general budget of the European Communities for the financial year 1984.

On 11 May 1983, Mr TUGENDHAT, Vice-President of the Commission with responsibility for budgetary matters, submitted the preliminary draft budget to the Committee on Budgets.

The preliminary draft budget was submitted to Parliament at its plenary sitting of 18 May 1983.

On 20 July 1983 a meeting was held between a European Parliament delegation and the Council in the context of the agreement of 18 November 1971 between the Council and the Assembly on the budgetary procedure.

The draft general budget of the European Communities for 1984, established by the Council on 22 July 1983 and forwarded officially to Parliament on 3 October 1983, was submitted to Parliament at its plenary sitting of 12 September 1983.

The European Parliament forwarded this draft to the Committee on Budgets as the committee responsible and to the committees concerned for their opinions.

At its meetings of 20/21 September, 28/29 September and 17/18/19 October 1983, the Committee on Budgets considered the draft budget in the presence of the Council and the Commission. At the last of these meetings, the draft amendments and proposed modifications were considered and adopted.

At the same meeting, the Committee on Budgets also considered the motion for a resolution and adopted it by 17 votes to none with 1 abstention.

Present: Mr Lange, chairman; Mr Notenboom, first vice-chairman; Mrs Barbarella, second vice-chairman; Mrs Scrivener, rapporteur; Mr Abens, Mr Arndt, Mr Baillet, Mr Brok (deputizing for Mr Barbagli), Mr Croux, Mr Gouthier, Mrs Hoff, Mr Langes, Mr Louwes, Mrs Nebout, Mrs Nikolaou, Mr Price, Mr Konrad Schön, Mr Simonnet and Mr Sutra (deputizing for Mr Balfe).

The report was submitted on 20 October 1983.

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the draft general budget of the European Communities for the financial year 1984 (Section III - Commission)

The European Parliament,

- having regard to the preliminary draft budget and the draft budget for 1984 (Doc. 1-800/83),
 - having regard to the letter of amendment to the draft general budget established by the Council on 10 October 1983 (Doc. 1-870/83),
 - having regard to its resolution on the guidelines for the budgetary policy of the Communities for 1984¹,
 - having regard to the report of the Committee on Budgets (Doc. 1-900/83),
 - having regard to the priority given by Parliament to the fight against unemployment and the campaign against hunger in the world,
1. Notes that for the first time the European Parliament is faced with a revenue problem;
 2. Reaffirms the commitment entered into by the three Institutions at the conciliation meeting of 20 July 1983 to conform to the existing upper limit on own resources, namely 1% of VAT;
 3. Notes from the assurances given by the Commission that the 1984 budget will not have to cover any deficit resulting from the 1983 budget;
 4. Considers it reasonable, in the light of the Treaty requirement that the budget must be in balance, to endorse the judicious estimates of revenue

¹OJ No. C 96, 11.4.1983

drawn up by the Council, given that expenditure in 1984 will inevitably come very close to the maximum amount of available resources;

5. Points out, however, that the provisions currently in force require the 1984 budget to be a multiannual exercise, the objectives of which are to promote Community integration;
6. Approves the policy adopted by the European Council in Stuttgart and, previously, by Parliament, the purpose of which is to find an overall solution to the problems encountered by the Community and to their budgetary consequences;
7. Shares the view expressed by the European Council in Stuttgart that the various financial problems currently facing the Community are inseparable and decides, with an eye to the forthcoming European Summit in Athens:
 - (a) to increase the amount of the reserve created by the Council in Chapter 100 of the budget for agricultural guarantee expenditure to 825 m ECU, i.e. 5% of the total sum entered for such expenditure in the 1984 budget;
 - (b) to transfer to this same reserve an amount of 1,202 m ECU, to be used forthwith, in accordance with the decisions adopted by the Council, to assist the Member States faced with 'unacceptable financial situations'. These appropriations are intended to implement Community policies for:
 - the social sector (fight against youth unemployment);
 - the energy sector and, in particular, the coal industry;
 - the transport sector; and
 - urban concentrations.

Parliament classifies all these appropriations as non-compulsory expenditure¹;

- (c) to ensure that there are real prospects for the development of Community integration by adopting a position conducive to the achievement of a European industrial policy;

¹ All the institutions are agreed that the following must now be classified as non-compulsory expenditure:

- . the 456 million ECU entered against Article 707 of the draft budget for specific Community measures relating to energy strategy.

Allocates to the reserve 1,200 m ECU in commitment appropriations for this purpose;

8. Increases the appropriations for social measures and, to that end, sets aside a substantial part of the financial resources at its disposal; requests the Commission, in accordance with the votes cast during the examination of supplementary draft budget No. 2 for 1983, to add without delay to the appropriations earmarked for social measures in 1984 the 64.5 million ECU voted on 12 October 1983;

The:

- . 275 million ECU entered against Article 649 (special measures to promote employment) and
- . 471 m ECU entered against Article 783 (special projects on transport infrastructure)

are, according to the Council, which created the two new lines in question, compulsory expenditure.

The Council points out, however, that this classification remains provisional pending adoption of the basic regulation (see point II.6 of the Joint Declaration).

9. Amends the draft budget accordingly while reaffirming the guidelines adopted by Parliament for the 1984 financial year;

The fight against unemployment

10. Believes that to a lesser or greater extent the measures pursued by the Community in the economic sector (energy, research, industry, innovation and transport) and the social and regional sectors make a direct contribution to the achievement of this objective; has accordingly made selective increases in the appropriations earmarked for these sectors;

(a) manpower training

11. Considers it essential that the Community should set aside adequate financial

resources for manpower training with a view to adapting qualifications to future activities;

12. Considers it essential to provide young people with the sort of training that will enable them to find productive employment;
13. Notes that the operation of the Social Fund is currently under review and calls attention to the difficulties encountered in 1983 and 1982 in utilizing the relevant payment appropriations;

(b) productive investments

14. Affirms that productive investments which create jobs are a vital instrument in the struggle against industrial decline and in the bid to revive the competitiveness of undertakings;
15. Considers an easing of the Community's dependence on external energy supplies to be one of the preconditions for the development of the Community economy; enjoins the Council to adopt the necessary statutory provisions in this regard;
16. Believes it essential to increase the appropriations earmarked for research activities, especially where they involve cooperation with the Member States and with undertakings, with a view to enhancing the competitiveness of undertakings by facilitating access to the new technologies;
17. Attaches particular importance to the development of investments in SMUs, which seem particularly responsive to innovation and especially able to create jobs;
18. Considers the development of transport infrastructures to be essential for the creation of a vast internal market and for the development of the peripheral regions, which would make for increased competitiveness and a reduction in underemployment;

o

o o

19. Considers that, as far as the regions are concerned, priority must be given to Community measures, and calls for better coordination of the relevant financial instruments; believes that it will then be possible for regional projects to be more effective in the fight against unemployment;

o

o o

The campaign against hunger in the world

20. Finds the decisions taken by the Council in this area profoundly disturbing;

21. Believes, notwithstanding the limited resources available to the Community, that it is possible to enhance the quality of the measures financed by the budget by giving precedence to aid projects which directly contribute to the development of the countries concerned;

22. Decides to devote a substantial part of the resources at its disposal to strengthening the practical measures for assisting the non-associated developing countries, to promoting the special programme for combating hunger and to supporting the activities of the non-governmental organizations;

o

o o

23. Points out that the protection of the environment raises problems which, by their very nature and because of their repercussions on economic activity, can be dealt with more effectively at Community level; believes that adequate resources must be made available to the Community for this purpose;

24. Considers the share of resources allotted to the cultural sector in the Community budget to be unacceptable;

25. Modifies and amends the draft budget submitted by the Council in the light of the above considerations.

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PART B: EXPLANATORY STATEMENT

Rapporteur: Mrs C. SCRIVENER

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EXPLANATORY STATEMENTI. - INTRODUCTION

1. As in previous years, the economic and social climate has been profoundly influenced by the recession. It would serve no purpose to dwell on the causes and factors involved, but it should nevertheless be pointed out that despite the real signs of recovery in the United States and, to a lesser degree, in some Community countries, the situation remains precarious. Neither the economic forecasts of the Commission, nor those produced by the OECD, suggest that the factors which in various ways determine the level of employment - for example household consumption and productive investment - will improve sufficiently to reduce the level of unemployment in 1984.

2. It would be unrealistic to suppose that an instrument the size of the Community's 1984 budget could have any decisive impact on the situation. Nevertheless, the aim is still to attempt, with the means at our disposal, to find effective solutions to the economic decline of the Community. How successful is the Community likely to be in achieving this aim? Community integration is passing through a particularly difficult phase. At this point, attention should be drawn to the factors that characterize the Community's present state of development; many of these are negative, but some do hold out hopes of an improvement.

A) - NEGATIVE FACTORS

The Community is currently faced with both a financial crisis and a crisis of identity, the latter undoubtedly being the result of the former.

1. The financial crisis

Leaving aside the unfortunate, traditional conflict between the institutions, this crisis relates both to the volume of Community expenditure and to the way in which the appropriations entered in the budget should be used.

3. The size of the budget broadly reflects the division of responsibilities between the Community and the Member States. The situation now is such that this division of responsibilities - deriving from the Treaties and from policies adopted on the basis of agreements between the Member States - is being called into question as a result of the exhaustion of available resources.

The 1983 draft supplementary budget provides for a VAT rate of 0.994%. Since estimates of revenue always involve an element of uncertainty, this means that it might become impossible to balance the budget after 1983. Following the first reading by the Council, i.e. even before Parliament has adopted a position, the VAT rate proposed for the 1984 budget is 0.9619%. It should be noted, moreover, that in constant terms the volume of the Community's budget for 1984 - at the current stage in the procedure - will be the same as it was in 1983. In real terms, this would amount to a significant reduction, which would impede progress in Community integration.

This is a state of affairs which has long been expected and for which the Member States bear a large measure of responsibility because they have failed to find suitable remedies in good time. Available resources have now been exhausted and this will make it extremely difficult to prepare the budgets for 1984 and subsequent years.

4. There is a very marked trend within the Member States towards the stabilization of compulsory taxes and levies and the allocation of available resources to the directly productive sector. This is to be welcomed but, at a time when the stagnation of economic activity compromises any increase in traditional revenues, such a policy precludes the creation of additional income for public expenditure. This is the reasoning behind the doctrine of budgetary austerity frequently adduced by the Member States as an argument for limiting Community expenditure. As the European Parliament has often pointed out, however, increased Community expenditure should not place an additional burden on the taxpayer but should merely reflect a progressive transfer of responsibilities from the Member States to the Community as and when the latter can discharge such responsibilities more effectively and at a lower cost.

5. The financial crisis is also reflected in the trends in Community expenditure. Following a period of relative stability, 1983 saw a spectacular increase in expenditure on agricultural guarantees. In real terms, the figures for 1983 show a rise of almost 30% by comparison with the financial year 1982. Proposed expenditure in this sector in 1984 will amount to more than 65% of the intervention appropriations. The implications of this situation are twofold:

- The lack of any new additional resources and the increase in the share taken by expenditure on agricultural guarantees preclude progress in any of the other policies. In certain sectors the trend in absolute terms is downwards. In other words, some policies are disappearing and others are being renationalized.

- The share of agriculture in the national economies varies from one country to another with the result that the Member States do not all benefit to the same extent from Community expenditure. The emergence of 'unacceptable situations' has for several years been giving rise to budgetary disputes which have been resolved on an ad-hoc basis outside the Community framework.

6. It will be apparent from the above comments that the present situation is characterized by the depletion of own resources and an upward trend in expenditure, imposed more by circumstances than by any deliberate action. This has led to a profound imbalance between policies and between the Member States and raises the question of what form European integration should take.

2. The European identity crisis

7. This problem takes many forms, but two of its manifestations would appear to run directly counter to the wishes of those who advocated European integration.

8. Europe has ceased to make any progress. After the considerable success achieved in the 1960s (agricultural policy) and the 1970s (new policies and in particular regional policy, the creation of own resources, and the establishment of the institutional system in its present form), the Community is now marking time, if not actually regressing. What progress has been made, for example, since the mandate of 30 May 1980 was delivered? All of the present problems were apparent in 1980, but none has yet been fully resolved. The main reason for this lack of balance is clearly the trend taken by the Community's decision-making process. The role of the Commission, the dynamic force behind Community integration, has been eroded, inter alia in the matter of day-to-day management and the implementation of legislation, and this has worked to the advantage of the Council and other bodies¹. At the same time, the Council is increasingly behaving more like an intergovernmental organization in which everything can be negotiated than a Community institution.

9. Europe has become an entity in which unity has given way to disunity. This is an inevitable result of the loss of faith in the Community ideal, which is all the more alarming now that the Community will soon have to come to terms with further enlargement. This loss of unity finds expression primarily in internal affairs - the interminable haggling over petty issues, the sheep war, the turkey war, the wine war ... but it also makes itself felt in external relations and in the difficulties encountered in adopting common positions vis-à-vis our trading partners, and in particular the United States and Japan. There is also a risk that the upsurge in sectional and national egotism could damage our traditional relations with the developing countries.

¹ Management committees.

10. The basic question, then, is what sort of Europe do we want to construct? There can be no doubt that we are passing through an identity crisis which calls for a swift response but, without wishing to be unduly optimistic, we should point out that certain favourable tendencies have emerged in recent months.

B) - POSITIVE FACTORS

11. Although the amount of progress made recently is difficult to assess, it does nevertheless provide a basis for reflection which must not be overlooked and should, in Parliament's view, lead to decisions at the next meeting of the European Council in Athens. Two factors are particularly important:

- On a general level, the Community undertook, at the European Council meeting in Stuttgart, to tackle all the basic difficulties which had been impeding progress for a number of years.

- A consensus is gradually emerging between the institutions on what policy should be pursued to resolve the economic difficulties.

1. Prospects opened up by the Stuttgart Summit

12. The European Parliament notes with satisfaction that the political resolve which emerged from the deliberations at the last meeting of the European Council in Stuttgart would appear to mark the end of the process of disintegration in the Community. It is essential now to ensure that it also marks the starting point for further progress in European integration.

(a) Stuttgart: the end of the process of disintegration?

13. The outcome of the Stuttgart Summit was promising from two points of view:

- The European Council clearly demonstrated that the Member States were willing to enter into broad negotiations in the context of the Community institutions and in particular in the Council - with the assistance of the Commission and paying due regard to the budgetary powers of the Assembly¹. A special procedure was worked out and a deadline was set. Moreover, the European Council accepted that the conclusion of the negotiations on the budgetary problems and the accession of Spain and Portugal should be timed to coincide.

¹ The European Council communiqué states that 'the negotiations will aim at examining all the existing policies, with particular attention to the common agricultural policy'.

- For the first time since the Mandate of 30 May 1980, the European Council went beyond the United Kingdom problem to tackle the budget issue as a whole.

A figure of 750 million ECU was agreed upon as compensation for the United Kingdom for the financial year 1983. The European Parliament is aware of the problems raised by the position of the United Kingdom and notes with satisfaction that the above decision was taken 'in the context of the adoption of the declaration on the future financing of the Community'. It intends to use its budgetary powers to ensure that this condition is met.

These negotiations, which should be completed by 6 December, the date of the Council meeting in Athens, should prevent such problems arising in the future since they cover the problem of the budget as a whole, i.e. expenditure and revenue and existing policies and future policies. Parliament supports this procedure, which is consonant with the views it has always held itself and which will restore the necessary balance to the budget.

14. The Stuttgart decisions reflect a new approach which the Council must adopt with a view to strengthening the Community.

(b) Stuttgart: the starting point for Community revival?

15. The foregoing decisions are not an end in themselves but form a reasonable basis for future action. The European Council has pointed out that: 'on the basis of the conclusions reached on the development of policies, improving budgetary discipline and the examination of the financial system, the extent and timing of the Community's requirement in terms of own resources will be determined'.

- The development of new policies and measures occupies an important place in the Stuttgart communiqué. In this connection, the European Parliament would draw the European Council's attention to the very close parallels between the latter's anxieties and its own. The European Council is determined 'to develop and make more effective Community action in research, innovation, new technologies, the environment and employment policy'.

These are also the areas to which the European Parliament has given priority in its preparations for the 1984 budget.

- Through the unremitting efforts of its Committee on Budgetary Control, the European Parliament has repeatedly shown that budgetary discipline and the rigorous use of Community funds are among its main concerns.

It would also like to point out that budgetary discipline is not synonymous with lack of progress. One of the main raisons d'être of the Community is that it allows activities of common interest to be carried out at a lower cost than would be possible at national level. Logically, therefore, appropriate resources should be allocated to activities that everyone considers useful to the Community as a whole and, on a more general level, steps should be taken to ensure that Community bodies and institutions function in a satisfactory manner. Nothing should be allowed to stand in the way of the dynamism engendered by Stuttgart.

- The question of any future increase in own resources will form a logical part of the overall deliberations.

16. The outcome of the Stuttgart meeting provides a political framework within which the Council must operate. Constructive decisions must be taken before the end of the year. The European Council, Parliament and the Commission have very similar aims. The 1984 draft budget is the first major test of the Council's determination and ability to forge ahead.

2. Convergence of analyses

17. In general terms, support is gradually growing for the idea that budgetary resources both in the Member States and in the Community, should be increasingly devoted to the development of the industrial apparatus with a view to restoring an effective economic base and increasing employment. In this connection, it is essential that investments should be made, as a matter of priority, in the industrial sectors of the future, otherwise the Community will start to decline.

This is a view shared by all the institutions.

18. The Commission has championed this approach in a number of documents relating to the economic policies of the Member States and the Community:

- Communication from the Commission to the Council on investment policy (8 June 1982)¹;

- Communication from the Commission to the Council on initiatives to promote investment (8 October 1982)¹;

¹ European Economy - No. 14 November 1982

- Communication from the Commission to the European Council on investment (Copenhagen, 3 and 4 December 1982)¹.

19. The same idea is apparent from the conclusions adopted at the last two meetings of the European Council:

- Copenhagen (December 1982)

Among the objectives mentioned in the communiqué are: 'encouraging productive activity and contributing to economic recovery and structural improvement, particularly through continued reduction of interest rates and through support for productive investment, especially in innovative sectors'.

The Heads of State and of Government also instructed the Council '... to speed up the adoption of the Commission's current and forthcoming proposals in the field of research, innovation and energy'.

- Stuttgart (June 1983)

'The European Council is determined to develop and make more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises. On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises'.

20. The European Parliament, for its part, set similar priorities when it adopted its resolution of 9 March 1983 on the guidelines for the budgetary policy of the Communities for 1984. After pointing out that its priority objectives for 1984 were the fight against unemployment and the campaign against hunger in the world, Parliament stated that it believed that 'in the first instance, the Community budget must concentrate on financing specific measures providing direct and indirect investment support as regards both manpower and the economy, so as to strengthen the competitive position of undertakings and thus combat unemployment effectively and permanently'.

It also took the view that 'a qualitative improvement and better coordination of the financial instruments' were necessary and that, as regards agricultural guarantees, 'the efforts already made to achieve savings by strict management and fresh studies into the effectiveness and expediency of certain provisions must be pursued'.

¹ COM(82) 788 final.

21. A measure of progress was thus achieved in the first half of 1983. The Community seems to accept the need to abandon the equivocation which has dogged its existence since 1980; it seems united in its desire to pursue an active policy to develop its industrial apparatus. The 1984 budgetary procedure must translate these positive ideas into action. Analysis of the Commission's preliminary draft budget and the Council's draft budget sheds some interesting light on how likely the initiatives taken are to succeed.

II - ASSESSMENT OF THE PRELIMINARY DRAFT BUDGET
SUBMITTED BY THE COMMISSION

22. As regards the measures to finance the fight against unemployment and the campaign against hunger in the world, the proposals made by the Commission in the 1984 preliminary draft budget¹ are broadly consistent with the guidelines laid down by Parliament. They also represent a point of departure for, and the first step in, an attempt to reorganize and restore balance to Community finances. Finally, the Commission's three-year financial forecasts provide a particularly valuable insight into the constraints that Community finances will have to face in the years to come.

A - IMPLEMENTATION OF PARLIAMENT'S GUIDELINES

1. The fight against unemployment

This will involve measures to improve manpower training and to strengthen the production apparatus.

(a) Manpower training

23. The European Social Fund is the most suitable Community instrument for this purpose. The Commission's proposals cover both the quantitative and the qualitative aspects of the problem.

* quantitative aspects

The preliminary draft budget provides for a substantial increase (+ 41.55%) in commitment appropriations by comparison with the financial year 1983². The increase in payment appropriations is lower (+ 14.81%), although it is higher than the overall increase in the budget (+ 11.5%). This is a matter which forms part of the general problem of the inadequacy of own resources.

* qualitative aspects

The way in which the ESF operates in 1984 will show a marked change over previous years. The Commission drew up the preliminary draft budget on

¹ The main figures are given in Annex 1.

² President THORN is in favour of the appropriation for the ESF being doubled in real terms in five years.

the basis of its proposed reform of the ESF and modified the budgetary nomenclature accordingly. The amendments which the Council made to the Commission's proposals when it adopted its common position on the reform of the ESF are quite substantial. Parliament's position on this point will be put forward in the course of the conciliation procedure with the Council.

(b) Strengthening of the production apparatus

24. The Community's budgetary instruments are not equal to the task when it comes to aid for productive investment, and in particular investment in SMUs. Most assistance is granted outside the framework of the budget in the context of borrowing and lending operations. However, the Commission has come forward with two constructive initiatives. First, it has suggested that interest rebates for the least favoured countries should be renewed and has submitted a proposal for a regulation to that effect. The sum involved is the same as it has been in previous years, i.e. 200 m ECU. This will allow interest subsidies to be granted on roughly 1,000 million loans to undertakings. This is a constructive measure although it should be pointed out that it has been taken on an ad hoc basis and does not represent a general move towards easing the burden of loans on undertakings. The Commission has also submitted a proposal for a regulation to permit the financing of innovations in SMUs and has included an entry for this purpose in the preliminary draft budget (Article 757).

The Commission's proposals as regards the development of new industries testify to a very significant advance in Community policies.

* Energy

25. The increase in appropriations is not clearly reflected in the overall figures. The Commission made a token entry against Article 707 'Specific Community measures relating to energy strategy', to which 610 m ECU was allocated in 1983 for the United Kingdom and the FRG (with an additional 218 m ECU in SAD 2/83).

The figures in the 1984 preliminary draft budget reflect the very significant commitment made by the Community to energy policy:

- projects concerning hydrocarbons: + 70% in commitments and + 46% in payments;

- projects in the field of nuclear energy: +2,320% in commitments and +210% in payments (mainly to cover prospecting for uranium in the EEC);
- Community projects concerning coal: + 1,948% in commitments and + 525% in payments (main operations: liquefaction and gasification, aid for coking coal (new operation), aid to investment (new operation), financing of stocks (new operation) - the legal basis for the new operations remains to be established);
- new sources of energy: + 83% in commitments and - 19% in payments;
- finally, attention should be drawn to the Commission's proposal, which is in line with the budget guidelines, that interest rebates should be granted to promote energy investments which serve the general interest.

By and large, Parliament cannot but fully endorse the Commission's energy initiatives and call upon the Council to take the necessary steps to ensure that the budget can be implemented.

* New technologies and innovation, research: (chapters 72 to 77)

26. The growth rates in this sector are spectacular:

- information and innovation: + 210% in commitments and + 201% in payments;
- industry and the internal market: + 76% in commitments and + 48% in payments;
- research: + 142% in commitments and + 43% in payments.

The most notable measures are as follows:

- Community projects in the field of innovation (+ 122% in commitments and + 67% in payments);
- projects in the field of data processing (+ 450% in commitments and + 82% in payments);
- projects in the field of research, where the most striking increases relate to the following sectors: industrial techniques, biotechnology, non-nuclear energy sources and the FAST programme.

These developments are all very satisfactory, at least from the quantitative point of view. In the case of research in particular, however, it could be noted that the delays in the adoption of regulations could well disrupt the development of programmes and the implementation of the budget.

* Transport

27. There has been a very marked increase, particularly as regards commitments (+ 550%), in this sector, which Parliament regards as a priority area.

Most of the progress that has been achieved concerns financial support for transport infrastructure projects. The experimental programme was approved by Parliament in June 1983, and the Council must take a swift decision so that it can be implemented.

* Regional development

28. The appropriations set aside by the Commission for the ERDF are based partly on its proposal for a reform of the fund, which is still pending before the Council. Particularly noteworthy is the increase in the share of projects financed from the non-quota section (10% in commitments and 6.7% in payments as opposed to 5% under the regulation now under review). The overall increase amounts to 24.38% in commitments and 19.14% in payments. These figures are a reflection of the Commission's undertaking to double ERDF appropriations in real terms in five years.

29. As regards the integrated Mediterranean programmes, the Commission entered the appropriations necessary for the preparation of the programmes, which are currently before the Council and Parliament. The European Council in Stuttgart expressed a favourable view on the principle of operations of this type, which are aimed at the convergence of economies and are based on the coordination of the Community's various financial instruments.

* Protection of the environment

30. This was one of the fields covered by the budget guidelines and was also one of the themes dealt with by the European Council in Stuttgart.

It should be noted that in the preliminary draft budget commitment appropriations for environmental research were increased by 78% and payment appropriations by 49%.

Moreover, commitments under Chapter 66 (protection of the environment and consumers) have increased by 66% and payments by 17%. These increases relate mainly to:

- aid for the development of 'clean' technologies;
- protection of the environment in certain sensitive areas of Community interest;
- environmental measures which can help to create new jobs;
- the implementation of Community legislation.

The preliminary draft budget is very satisfactory in this area.

2. The campaign against hunger in the world

31. The Commission's preliminary draft budget:

- confirms the Community's determination to make a special effort in the above area as this policy accounts for 4.7% of the budget and the appropriations show an 18% increase over last year;

- lays the foundations for redirecting food aid towards the achievement of self-sufficiency in the target populations by financing local food production projects or programmes.

This is why the appropriations for 'traditional' food aid, which have been maintained to meet the immediate requirements of the populations concerned, remain at almost the same level as in 1983 (569 m ECU), with an increase of only 1.9%.

On the other hand, the Commission proposes a substantial increase (+ 36%) for projects in favour of the non-associated developing countries (Chapter 93) and + 70% for the special programme to combat hunger in the world.

B - RESTORING BALANCE TO COMMUNITY FINANCES

32. In preparing its preliminary draft budget, the Commission persevered with its aim of keeping the increase in agricultural expenditure at a level lower than that of the growth in own resources. To this end, it set the total volume of appropriations for the EAGGF Guarantee Section at 16,500 m ECU, which amounts to 64.6% of the budget. By contrast, the sum set aside in Draft Supplementary Budget No. 2/83 amounts to 15,800 m ECU, or 80.2% of the budget. Under the Commission's proposal the increase in agricultural expenditure would be maintained at a level of 4.4%.

33. The very significant increase in commitment appropriations for other policies represents a first step towards restoring balance to the budget and establishing an equilibrium between policies and between recipient states.

The various Community bodies are aware of the effects of the lack of balance caused by the fact that the agricultural policy is the only policy which has been fully implemented. The Commission's efforts to press ahead with the other policies have an intrinsic merit, but they must also be seen in terms of the more harmonious development of Community integration.

34. The lack of balance described above lies at the root of the imbalance in the flow of money to and from the budget, which has caused a serious crisis in the Community. The aim of the Commission's proposed development of the 'other policies' - notably in the fields of youth employment, coal and transport infrastructures - is to create a correspondingly balanced budget, which would make a significant contribution towards a definitive Community solution to the problem of 'unacceptable situations'.

35. The solutions offered by the Commission are neither perfect nor complete. However, in the current situation, they reflect what is reasonably possible and politically acceptable from the point of view of implementing the guidelines adopted by Parliament in March and attempting to put an end to the structural imbalances in the Community budget.

C - THREE-YEAR FINANCIAL FORECASTS

36. In pursuance of the Council's decision of 21 August 1970¹, the Commission each year submits financial forecasts for the next three financial years. This year, the forecasts are reproduced in Volume 7 of the preliminary draft budget (pages A/113 to 129).

In previous years - except in 1982, when the Commission did not submit any three-year forecasts - they were drawn up in the form of a separate document. In some years this document was used as the basis for the debates on the budget guidelines for the budgetary procedure.

37. The Commission has based its forecasts on a growth in Community GDP of 2.5% per year in value terms and 9.5 to 10% in volume terms. It estimates the general level of price increases at about 7% per year. It has also submitted estimates of expenditure and revenue for the agricultural section of the budget based on GDP growth rates of 6% and 12%.

38. The three-year forecasts show what budgetary implications the Community's policies would have if all the Commission's current proposals were adopted, in particular as regards:

- the measures for restoring balance to the budget proposed in accordance with the mandate of 13 May 1980 and the latest agricultural proposals²;

- the substantial strengthening of the policies on research, innovation and structural improvement;

- the budgetization of the EDF in 1985; and

- the accession of Spain and Portugal in 1985.

39. As regards revenue, the Commission first of all works on the assumption that the current situation with regard to own resources will remain the same. In the case of agriculture it forecasts an average rise of 7% in common prices - with variations depending on the products concerned - and assumes

¹ OJ No. L 94 of 28.4.1970

² COM(83) 500 final.

that guarantee thresholds will apply and that MCAs will be reduced. It estimates that resources from VAT will rise at a rate slightly lower than the rise in GDP, i.e. by 8% in 1985 and 9% in 1986. The Commission takes the view that the extra revenue from VAT yielded by each additional rise of 1% in real terms would amount to 210 to 240 m ECU per year.

40. If its proposals for the future financing of the Community were adopted, the Commission would expect:

- an increase of 70 m ECU per year (ECSC products) in the yield from customs duties; and

- an increase of almost 50% in revenue from VAT as a result of the application of modulated rates.

41. It does not seem to assume that there will be any further increase in borrowing and lending activities or that the ceiling for NCI loans or the other borrowing and lending operations will be exceeded. On 1 April 1983 the NCI ceiling was increased by 3,000 m ECU.

The current ceiling of 2,000 m ECU for EURATOM borrowing and lending transactions has not yet been reached and operations under this instrument can be expected to increase by some 30% per year. The ceiling for loans to support balances of payment has been set at 6,000 m ECU since 1975, but the Commission is authorized to reconstitute this amount as loans are repaid.

42. The three-year forecasts form an important part of budgetary policy. Parliament's latest proposals for improving the budgetary procedure¹ attach considerable importance to such multiannual forecasts of Community finances. The Commission should be congratulated on the way it has tackled the three-year forecasts this year. The presentation is clear and transparent. It summarizes in fifteen pages the main points of existing Community policies and provides a clear statement of the budgetary implications of the changes to be made. The forecasts also show that the Commission is taking seriously its own proposals for restructuring and future financing.

¹ Working Document by Mr LANGE - PE
Working Document by Mr JUNOT (taken over by Mr SEELER) -
PE 80.194/rev. of 6.12.1982

43. These estimates would carry greater weight if the following summary table were included in the budget, together with additional details and remarks.

TABLE 3
THREE-YEAR FINANCIAL ESTIMATES 1984-85-86
EXPENDITURE AND RESOURCES

(million ECU)

Sectors	Appropriations for payments			
	1983	1984	1985	1986
A. Expenditure				
1. EAGGF Guarantee Section (Titles 1 and 2 B)	14 050,0	16 500,0	17 800	19 300
2. Fisheries and marine policy (Chapters 40 to 46 B)	84,4	117,0	157	146
3. Structural expenditure				
(a) EAGGF Guidance Section (Chapters 30 to 33 B)	612,6	647,8	833	890
(b) Social Fund (Chapters 60 to 62 B)	1 350,0	1 550,0	2 050	2 500
(c) Regional Fund (Chapters 50 and 51 B)	1 259,0	1 500,0	2 260	2 600
(d) Interest subsidies (Chapter 52 B)	200,0	200,0	200	200
(e) Supplementary measures for the United Kingdom (Chapter 53 B)	692,0	—	—	—
(f) Mediterranean programmes (Chapter 55 B)	8,0	10,0	400	650
4. Research (Chapters 72 and 73 B)	415,6	594,7	900	1 000
5. Energy, industry and transport (Chapters 70, 71, 75, 77 and 78 B)	782,6	521,0	880	1 160
6. Development cooperation (Chapters 92 to 99 B)	977,5	1 153,9	1 600	2 000
7. Miscellaneous (Chapters 38, 54 and 63 to 69 B)	182,5	288,3	305	318
8. Administrative expenditure				
(a) Commission (Part A)	748,6	860,1	930	1 000
(b) Other institutions	404,8	437,0	470	510
9. Refunds to Member States	1 128,3	1 148,6	1 201	1 250
10. Enlargement	—	—	200	500
11. Grand total (rounded)	22 895,9	25 528,4	30 186	34 824
B. Resources				
1. Miscellaneous revenue	1 522,0 ⁽¹⁾	329,8	360	390
2. Customs duties	7 575,0	7 748,0	8 100	8 700
3. Agricultural and sugar levies	2 572,0	2 996,7	3 480	3 770
4. Amount of expenditure (A.11) to be covered by VAT	11 226,9 ⁽²⁾	14 453,9	18 246	21 164
5. Grand total (B.1 + B.2 + B.3 + B.4 = A.11)	22 895,9	25 528,4	30 186	34 824
6. 1 % of VAT base	14 139,0 ⁽³⁾	15 122	16 350	17 900
7. Resources with 1 % VAT limit	25 808,0	26 196,5	28 290	30 760
8. Difference B.7 - A.11	2 912,1	668,1	- 1 056	- 3 264
9. VAT rate to cover grand total (%) (A.9 = B.4 + B.6)	0,794	0,956	1,12	1,18

(1) Including 1982 surplus of 1 337 million ECU, true miscellaneous revenue: 185 million ECU.
(2) Including 175 million ECU as Greece's financial contribution
(3) Including 220 million ECU for Greece.

III. ASSESSMENT OF THE 1984 DRAFT BUDGET SUBMITTED BY THE COUNCIL

A - CONSTRAINTS ON AVAILABLE RESOURCES

44. In 1983 the Community reached the limit of own resources even though a very large credit balance (1,487 million ECU) was available from the financial years 1981 and 1982 to finance expenditure in 1983. There is very little chance that the financial year 1983 will end with a sizeable credit balance, so the total amount of resources actually available for 1984 is practically the same as it was in 1983.

The Commission's estimates¹ put the increase in resources for 1984 at only 388.5 million ECU more than in 1983 (a rise of 1.5%).

45. In these circumstances, it is important for resources to be estimated accurately. In the 1984 preliminary draft budget, for the first time since the creation of own resources, the Commission failed to obtain a favourable opinion from the Advisory Committee on the Communities' Own Resources. Most of the delegations therefore felt unable to accept the amounts proposed by the Commission. In the draft budget, the Council points out that it has adjusted revenue to take account of the latest estimates supplied by the Member States (no increase in Community terms or even in basic terms). This implies that the Council, for its part, has not entirely followed the opinions expressed by the Committee on the Communities' Own Resources either, and gives the impression that revenue is not determined on the basis of objective estimates but in accordance with the preferences of national delegations.

46. The Council has reduced the Commission's estimates of revenue for 1984 by 792 million ECU, just as it reduced the revenue for 1983 in supplementary budget No. 2/83.

¹ 1984 preliminary draft budget, volume 7, page A/116

	<u>B. 83</u>	<u>SB 2/83</u>	<u>PDB 84</u>	<u>DB 84</u>
- Miscellaneous revenue	184.7	188.7	329.8	222.4
- Available from previous financial years	1,337.4	1,486.7	token entry	token entry
- 1% VAT	14,179 ¹	13,936 ² - 204 ³	15,122	14,608.5
- Sugar and isoglucose levy ...	1,013.2	958.5	996.7	1,003.3
- Agricultural levies	1,558.5	1,475.4	2,000	1,946.7
- Customs duties	7,574.5	7,234.6	7,748	7,623.5
	<u>25,808.0</u>	<u>25,075.9</u>	<u>26,196.5</u>	<u>25,404.4</u>

47. The Commission gave ample reasons for its estimates of revenue on pages B/909 to 1005 of the preliminary draft budget for 1984. The Council, on the other hand, provides no detailed explanation of the reductions it has made. It confines itself to pointing out that it has taken account of the latest estimates supplied by the Member States without even showing where these differ from the Commission's figures or explaining why it should use national data which it has not been possible to discuss and verify at Community level.

48. In view of the depletion of own resources, it is vital that the funds available should be estimated accurately on the basis of the most up-to-date economic data.

49. As in the case of expenditure, fluctuations in exchange rates between national currencies and the ECU create considerable problems.

In the agricultural sector, this situation is complicated still further by the use of 'conventional' agricultural ECU and the application of monetary compensatory amounts.

50. The Council has also made cuts in several other revenue entries. This applies in particular to Item 5201 - interest on accounts opened by the Commission under Article 9(1) of amended Regulation No. 2891/77.

¹ Including Greek GNP contribution (220 million ECU)

² 217 million ECU

³ Revised and corrected VAT for previous financial years (balance)

These are Commission accounts into which the Member States pay own resources. In most Member States they are held by the National Treasuries and have so far not been yielding any interest. This provides the Member States with cash facilities, which creates problems at a time when the Community's own resources are reaching the point of exhaustion. In agreement with the Commission, Parliament therefore made appropriate amendments to the proposed regulation revising Regulation No. 2891/77.

As this proposal has been before the Council since December 1982, the new machinery could be introduced for the financial year 1984.

If Parliament endorsed the Council's estimates of revenue, the available margin in 1984 under own-resources would be 556 million ECU (25,404 minus 25,848). This figure may have to be corrected in the light of any changes made to the statement of revenue and of the balance available from the financial year 1983.

The limit on own resources is therefore not likely to impair Parliament's power to make amendments within its margin for manoeuvre, which the Council estimates at 310 million ECU in payment appropriations.

51. Procedural questions

Article 199 of the EEC Treaty stipulates that all items of revenue and expenditure of the Community shall be shown in the budget. Under Article 203, the budgetary powers are divided between the Commission, the Council and Parliament. A distinction is made between Parliament's power to amend the budget as a whole and its power to modify 'expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith'.

Article 203(9) confines the requirement that Parliament and the Council should reach prior agreement to amendments 'in respect of expenditure other than that necessarily resulting from the Treaty or from acts adopted in accordance therewith', as a result of which the rate of increase in expenditure provided for in that same article and paragraph would be exceeded. It does not therefore apply to amendments to revenue.

B - OVERALL VOLUME

52. The Council has entered in the 1984 draft budget 26,594,691,458 ECU in commitment appropriations and 24,848,457,985 ECU in payment appropriations.

These figures represent an increase over previous years.

	(million ECU)	
	<u>Commitment appropriations</u>	<u>Payment appropriations</u>
Final budget 1982	23,260.13	21,984.44
Initial budget 1983	22,988.23	21,558.55
Amending and supplementary budget No. 1/83	24,325.60	22,895.92
Draft budget 1984	26,594.69	24,848.46

The increase in commitment appropriations amounts to 14.3% by comparison with the final budget for 1982, 15.7% by comparison with the initial budget for 1983 and 9.3% by comparison with amending and supplementary budget No. 1/83.

The increases in payment appropriations amount to 13.0%, 15.3% and 8.5% respectively.

However, if Parliament were to approve draft amending and supplementary budget No. 2/83, expenditure under the 1983 budget would then amount to 26,528.81 million ECU in commitment appropriations, and 24,992.33 million ECU in payment appropriations. The difference between 1984 and 1983 would then amount to + 65.88 million ECU in commitment appropriations (+ 0.25%) and - 143.87 million ECU in payment appropriations (- 0.58%).

53. This standstill in Community expenditure clearly masks a considerable reduction in real terms. It also indicates that in all probability there has been a drop in the contribution of Community financing to public expenditure in the Community and that in effect the process of integration has been brought to a halt. It would be useful at this point to examine the reasons for this development, which is attributable both to economic constraints and to political considerations.

C - ANALYSIS BY TYPE OF EXPENDITURE

The Council has radically altered the preliminary draft submitted by the Commission, both as regards the main categories of expenditure and in terms of the balance between the various policies.

(a) Commitments and payments

54. There is a disproportion in the Council's cuts as between commitments and payments:

	<u>Preliminary draft budget for 1984</u>	<u>Draft budget for 1984</u>	<u>Difference</u>
Commitments	28,619.85	26,594.69	- 2,025.15
Payments	25,528.42	24,848.46	- 679.96

While the reduction in payments is connected with the general problem of the limit on available resources and the need to ensure that Parliament has the margin for manoeuvre necessary to the exercise of its budgetary powers, the very sharp reduction in commitments is bound to have repercussions in future years.

What attitude should Parliament therefore adopt on the matter of commitments? Although there is no direct link between the volume of commitments, which will give rise to payments staggered over future years, and the resources available in 1984, it would be unrealistic to count on new resources before 1986.

(b) Compulsory expenditure and non-compulsory expenditure

55. On the basis of the system of classification used by the Council, the breakdown between compulsory and non-compulsory expenditure is as follows:

	<u>Preliminary draft budget for 1984</u>		<u>Draft budget for 1984</u>		<u>Difference</u>	
	C	P	C	P	C	P
CE	18,929.72	18,333.41	19,357.41	19,274.10	+ 427.69	+ 440.69
NCE	9,690.12	6,695.01	7,237.28	5,574.36	-2452.85	-1120.65

These figures show that the Council has made substantial cuts in non-compulsory expenditure, while increasing compulsory expenditure. This approach, which is tantamount to holding up progress on the development of the new policies, runs counter to the wishes expressed by Parliament at the conciliation meeting of 20 July, when it called for the same budgetary rigour to be applied to all Community policies.

The Council's decisions on the breakdown between compulsory and non-compulsory expenditure should also be seen in the light of the decisions taken on the matter of compensation for the United Kingdom and the FRG.

56. The increase in compulsory expenditure is explained to a large extent by the inclusion of budget lines - which the Council classifies as compulsory expenditure - covering refunds to the United Kingdom and the FRG:

- Article 649 'Special measures to promote employment'
(275 million ECU for the United Kingdom);
- Article 783 'Special projects on transport infrastructure'
(471 million ECU, i.e. 461 million for the United Kingdom and 10 million for the FRG).

Similarly, the cuts made by the Council in non-compulsory expenditure should be seen in the light of the 456 million ECU (255 million for the United Kingdom and 201 million for the FRG) entered by that institution against Article 707 (Specific Community measures relating to energy strategy).

(c) The balance between the different policies

57. The Council has not made any change in the total level of appropriations for the EAGGF Guarantee Section (16,500 million ECU). It has, however, reduced the overall level for the other sectors by 680 million ECU in payment appropriations and 2,025 million ECU in commitment appropriations (taking account of the 1,200 million ECU in 'compensation') and has thus destroyed the balance, and the attendant structural changes, which the Commission sought to achieve in this budget. As a result, the EAGGF Guarantee Section's share in the budget has increased from 57% in the preliminary draft to 62% in the draft (in commitment appropriations). The following percentage reductions should be noted:

- <u>Economic sector</u> (energy, research/innovation, industry, transport, etc.)	- 57.8%
- <u>Development aid</u>	- 33.7%
- <u>Social sector</u>	- 30.1%
- <u>Regional sector</u>	- 25.7%

(commitment appropriations)

These reductions run counter to the guidelines adopted by Parliament.

D - ANALYSIS BY SECTOR

1. ECONOMIC SECTOR

58. We come here to the measures covered by Title VII (energy, research, innovation, information, industry, transport, etc.). In proportional terms, this sector has suffered most from the Council's modifications (433 million ECU in payment appropriations and 1,182 million ECU in commitment appropriations). It is also the sector on which the guidelines adopted by Parliament have the most direct bearing.

The Council has, however, entered substantial appropriations for compensation to the United Kingdom and the FRG against special lines under energy (456 million) and transport (471 million). It has also made provision for a token reserve (24.6 million ECU).

59. Parliament's response should be to take qualitative and quantitative action:

(a) Qualitative action: Title VII, as currently presented in the budget, is disparate in nature. Its political impact could be enhanced in future years by changing the various chapter headings (policy for economic recovery, energy strategy, etc.). In addition, the appropriations allocated by the Council for compensation to the United Kingdom and the Federal Republic of Germany should be placed fairly and squarely in a Community context and incorporated under the various policies.

(b) Quantitative action: It is in this sector that Parliament should use most of the modest resources at its disposal with the twofold objective of partially reinstating the Commission's proposals and promoting its own initiatives.

* Energy

60. The Council has made cuts of 310 million ECU in payment appropriations and 660 million ECU in commitment appropriations (44% and 91% respectively) in the figures proposed by the Commission. On the other hand, it has entered 456 million ECU against Article 707 (Energy strategy) for compensation to the United Kingdom (255 million ECU) and the Federal Republic of Germany (201 million ECU). The specific issue of compensation is discussed in paragraph 7. For the time being, we shall content ourselves with examining the respective merits of the measures proposed by the Commission and the Council, since Parliament has been placed in a position where it is forced to make a choice.

61. First, the Commission proposed that the action taken in previous years in the hydrocarbon and nuclear sectors should be continued and enlarged upon. Secondly, it proposed new measures in the solid fuels sector and measures to encourage energy investment. Finally, it proposed a substantial increase in appropriations for demonstration projects, although the Council has not yet adopted the regulation on such projects. Inasmuch as they will help to generate productive investment, these measures are broadly consistent with the objectives endorsed by Parliament and, in particular, with the budget guidelines for 1984. In assessing what payment appropriations will be necessary for these measures, it would be desirable to have a clear idea of the way in which the appropriations have been used in previous years, which in some cases has not been entirely satisfactory.

62. The Council, for its part, has set aside for financial compensation appropriations whose Community nature is doubtful because their incentive value is virtually nil. Moreover, the measures concerned were not adopted on the basis of that criterion.

For the rest, the Council has proposed a symbolic reserve (24.6 million ECU - 30 million PA) for the Commission's new measures.

* Research

63. This sector is covered by Parliament's guidelines for the 1984 budget. However, Community research has in recent years been suffering from the effects of a profound crisis. The Commission has drawn up a proposal for a framework programme for 1984-1987 involving a financial outlay of 3,750 million ECU. This programme has been submitted to the Council, which has used its structure as a basis for its budget decisions. However, it has refused to set aside appropriations for any of the special programmes in respect of which it has not yet adopted a regulation. Some of the appropriations it has entered against Chapter 100 and others it has placed in a general reserve for both direct action (JRC) and indirect action. This applies in particular to the ESPRIT programme, for which 45 million ECU in payment appropriations and 90 million ECU in commitment appropriations have been entered against Chapter 100.

* Information/innovation

64. Parliament takes the view that the new technologies and innovation are vitally important and has included them among its priorities for 1984. The Commission proposed that the 1983 appropriations for the information market and innovation should be tripled in 1984. The Council, however, has merely doubled the appropriations for the measures proposed by the Commission and has entered some of them against Chapter 100 pending decisions on regulations. This applies, for example, to innovation projects for small and medium-sized undertakings.

It has rejected the new measure for the development of the information market.

* Industry

65. Aid for productive investment is granted at Community level under Chapter 77 of the budget (Industry and the Internal Market). This represents a dynamic response to the problems of unemployment and industrial decline.

In its preliminary draft, the Commission proposed a significant increase in funds (+ 77% in commitment appropriations and + 48% in payment appropriations). The Council's figures provide for an increase of only 42% in commitment appropriations and 26% in payment appropriations. The most telling reduction relates to an appropriation of 3 million ECU against Article 774 (Industrial

Redevelopment) to cover the redevelopment of areas suffering from industrial decline where regional problems could be exacerbated.

* Transport

66. Parliament takes the view that measures in the field of transport infrastructures should be classified as activities essential to economic development and, as such, should benefit from special financial support. However, its interest in this sector has not been confined entirely to the context of the budget. It has spear-headed a vigorous campaign to persuade the Council, at long last, to implement a common transport policy as provided for in the EEC Treaty. The results have been only partially satisfactory since the financing procedures used seriously detract from the Community nature of the operations.

In point of fact, the Council maintains that each project should be individually selected and approved, which implies that the criteria used are based on national rather than Community considerations. On the other hand, it has reduced commitment appropriations by 42% (leaving the payment appropriations more or less intact) and, by way of replacement, has set aside 471 million ECU for financing operations in the framework of compensation to the United Kingdom. The Community nature of this financing should be enhanced in accordance with the views expressed by Parliament in the past.

2. SOCIAL SECTOR

67. Turning now to the Community's internal difficulties, all the institutions display the necessary political resolve to find effective and lasting solutions to the problem of unemployment, and in particular youth unemployment. Of that there can be no doubt. The financial instruments at the Community's disposal for tackling the human aspects of this problem are grouped under Title 6 of the budget (social sector), which covers¹ not only the Social Fund (80%), vocational training and education (0.9%), social protection and health (1.2%), and social measures in connection with restructuring of the steel industry (6.2%), but also the protection of the environment and consumers (0.9%), culture (0.14%) and aid to disaster victims (2.2%).

¹ In the preliminary draft budget - payment appropriations.

Vocational training, social measures in connection with the restructuring of the steel industry and the Social Fund, to the extent that it helps to 'adapt human resources to current changes in technology',¹ are all directly covered by the guidelines adopted by Parliament.

But the other measures, which are likewise mentioned in the guidelines (environment, consumers, culture), should also receive their full share of attention. The 1984 proposals put forward by the Commission and the Council are as follows:

68. - Social Fund: the Commission has used a nomenclature based on its proposal for a regulation, which classifies measures according to the age groups to which they relate. It proposes an increase of 14.8% in payment appropriations and 41.4% in commitment appropriations.

The Council, acting on the basis of its common position, has used a nomenclature under which measures are classified according to age group and geographical criteria. By comparison with the 1983 figures, commitment appropriations remain nominally the same and payment appropriations have been cut by 250 million ECU. The amounts proposed by the Commission have thus been reduced by 700 million ECU in commitment appropriations and 450 million ECU in payment appropriations. The Council justifies the reduction in payment appropriations by pointing out that an unused 320 million ECU will be carried over to 1984. The failure to use these appropriations is due to a belated entry by the budgetary authority.

69. - Education and vocational training: the Council has kept appropriations at a level only just above the 1983 figures and reduced the amounts proposed by the Commission by 12% (- 2 million ECU).

70. - Social measures in connection with the restructuring of the steel industry: the Council has kept appropriations at their 1983 level (50 million ECU) and thus reduced by 60 million ECU the 110 million ECU set aside by the Commission which, it should be remembered, is proposing a programme of special aid involving a financial outlay of 330 million ECU between 1984 and 1986.

¹ Paragraph 2(a) of the guidelines.

71. - Social protection and health: in general terms, the Council has merely reinstated the 1983 appropriations.

In the framework of financial compensation for the United Kingdom, it has also set aside 275 million ECU to 'improve employment prospects, particularly for young people, in the United Kingdom regions most affected by unemployment'¹. The Council's avowed aims are entirely consistent with the guidelines adopted by Parliament. However, these aims amount merely to a declaration of intent and there is no regulation to guarantee that the appropriations in question will be used to further the objectives of the Community's social policy.

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72. To sum up, commitment appropriations for the social sector as a whole show an increase of 15.2% over the 1983 figures, and payment appropriations an increase of 1.5%. ESF commitment appropriations remain more or less unchanged (+ 0.2%), whilst the level of payment appropriations has been reduced (- 18.5%).

It should be pointed out here that qualitative improvements are currently being made to the financing arrangements for this sector. On completion of the conciliation procedure the Council will be adopting a new regulation on the financing of the Social Fund which will make it a more effective instrument for dealing with the pressing problems of unemployment. Moreover, in accordance with the European Council's decisions in Stuttgart, the effectiveness of the Fund will be reviewed during the negotiations mentioned above and examined by the Community's control authorities.

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Protection of the environment and consumers

73. Parliament should devote special attention to this sector as a vital element in the policy on the quality of life which it has recommended.

¹ Draft budget - Volume 7 - page 60.

The Council, on a number of occasions, refers to budgetary stringency and austerity as a justification for reducing the Commission's proposed appropriations for the protection of the environment and consumers. After due consideration, the Commission's proposals for commitments and payments, which the Council has cut by almost 50%, could be reinstated.

3. COMMON AGRICULTURAL POLICY

74. In its draft budget, the Council notes the Commission's statement that the figure of 16,500 million ECU is a serious forecast. It also takes account of the Stuttgart conclusions and the Commission's resolve to propose measures to contain growth in agricultural expenditure. However, its action has been confined to the essentially symbolic gesture of entering, against Chapter 100, 250 million ECU taken from a number of items in respect of which requirements are particularly difficult to assess. This sum of 250 million ECU, intended to finance the possible consequences of trends on the agricultural markets, should be closer to the 1,761 million ECU entered in draft supplementary budget No. 2/83 for the same purpose in 1983. To be realistic, it should be multiplied by at least three.

Although guided in its thinking by the conclusions of the Stuttgart Summit, the Council has submitted a draft that does not allow for the budgetary consequences of the decisions to be taken in Athens. Of course, there can be no question of prejudging this issue, but to ignore it totally could well have damaging repercussions. Parliament should find a formula that will accommodate any decisions taken in Athens.

It is not at present possible to evaluate the financial implications of the proposed reforms as the Commission's report (COM(83) 500 final) provides the only solid basis for assessment and no information is as yet available on either the Council's views or Parliament's position on the proposals concerned.

EXPENDITURE BY THE EAGGF GUARANTEE SECTION

classified according to economic objective

(1984)

		Estimates	
		<u>m ECU</u>	<u>%</u>
I	- Refunds (difference between Community prices and world prices)	= <u>6 200</u>	<u>37.6</u>
	. aid to exports	= 5 950	36.1
	. food aid refunds	= 250	1.5
II	- Storage costs (stabilization of markets)	= <u>2 299</u>	<u>13.9</u>
III	- Compensation aid (granted to bring down consumer prices within the Community with a view to making products competitive with third country imports) e.g. : aid for the production and consumption of olive oil	= <u>6 798</u>	<u>41.2</u>
IV	- Guidance premiums (granted for the restructuring of production) e.g.: premiums for the slaughter of cows	= <u>654</u>	4.0
V	- Co-responsibility in the dairy sector	= <u>0</u>	-
	. market expansion measures	= 550	(3.3)
	. levy	= - 550	
VI	- Compensatory amounts (stopgap arrangement in the absence of any monetary policy)	= <u>368</u>	<u>2.2</u>
		<u>Total</u>	= <u>16 500</u> <u>100</u>

Comments

. It must be pointed out that certain items of expenditure by the EAGGF Guarantee Section have a direct bearing on other policies, in particular:

- food aid refunds

250 m ECU (6 200 refunds, value of products 440)

- monetary compensatory amounts

241 m ECU.

. For external policy reasons, the EAGGF Guarantee Section must cover expenditure on certain items which are exempted from the Community preferences.

- ACP sugar and India 390 m ECU
- New Zealand butter 50 m ECU
- Beef and veal 450 m ECU
- Cereals - substitute products 650 m ECU

. As regards own resources, the operation of the EAGGF Guarantee Section entails the collection of the following revenue:

- agricultural levies 1 558 m ECU
- sugar levies 1 009 m ECU
- isoglucose levies 3.5 m ECU

4. AGRICULTURAL STRUCTURES POLICY

75. Without taking into account the revised request from the Commission, the cuts made by the Council to the preliminary draft budget are, relatively speaking, modest. Parliament's action in this sector should be determined by an assessment both of the ability of each of the various measures proposed to facilitate tighter control over agriculture expenditure and of the effectiveness of the corresponding measures adopted in the past.

5. REGIONAL SECTOR

By and large, the decisions taken by the Council in this sector are incompatible with the guidelines adopted by Parliament, both in terms of the total resources allocated and in terms of their apportionment.

The Regional Fund

76. Here the Council's decisions are significant in two respects. In the first place, it has failed to take any decision on the changes advocated by the Commission and has based its approach on the current regulation, not least in the allocation of appropriations between the quota section and the non-quota section. Secondly, the amounts it has entered in the budget are considerably less than the amounts proposed by the Commission and the appropriations included in the 1983 budget.

It will be noted that the Regional Fund, like the other structural funds, is currently being reviewed by the Commission and the Council in pursuance of the Stuttgart mandate, the aim being to enhance its effectiveness by ensuring that it is better coordinated with the other financial instruments. This review poses a serious problem because there is uncertainty about how the 1984 appropriations should actually be utilized.

The quota section of Regional Fund tends to be used more to provide financial support for the different national policies than to implement a genuine Community policy for the development of the most backward regions. There are more effective ways of achieving this key objective.

ERDF resources could perhaps be better utilized within the framework of the existing regulations. For instance, it would be possible to channel more resources into investment schemes and projects to assist the SMUs. This would be in keeping with the guidelines adopted by Parliament.

EMS measures

77. The Council has decided not to re-enter the 200 m ECU appropriation included in previous budgets on the grounds that the basic regulation has expired and that no Council decision has been taken on the future regulation. The interest subsidies paid by the Commission are undeniably important for the promotion of investment, notwithstanding the fact that in this context they are only of direct concern to Italy and Ireland. An appropriate amount should perhaps be set aside for these subsidies, in keeping with Parliament's guidelines.

Mediterranean programmes

78. The Council has not adopted the Commission's proposals in this area. It has reduced commitments and payments by 7 m ECU, with the result that the 1984 appropriations will be considerably less than those entered in the 1983 budget.

The measures advocated by the Commission would seem to be consonant with Parliament's demands for a better planning of regional policy schemes and improved coordination of the various structural funds and financial instruments. Consequently, there is a sound case for reinstating the appropriations proposed by the Commission.

6. DEVELOPMENT AID

79. The Commission's proposals would make for a significant improvement in Community projects to assist the developing countries, since they require that an effort be made to adapt Community aid to the real needs of the DCs. Ignoring this approach, the Council has decided that the amount of Community aid should be substantially less than that earmarked for 1983 (commitments: - 21.7%; payments: - 20.0%). The main cuts are as follows:

	<u>Commission</u>		<u>Council</u>		<u>Difference</u>	
	CA	PA	CA	PA	CA	PA
n.a. developing countries	323	196	214	128	- 33%	- 34%
Special programme to combat hunger	85	85	p.m.	p.m.		

Development aid is an area in which it is clearly difficult to reconcile the views of the Council and Parliament.

7. FINANCIAL COMPENSATION MEASURES

80. The Council has entered an amount of 1,202 m ECU to cover compensation payments to the United Kingdom (991 m ECU) and the Federal Republic of Germany (211 m ECU). These figures correspond to a net reimbursement of 750 m ECU for the United Kingdom and 135 m ECU for the Federal Republic of Germany. The Council's decision here calls for the following remarks:

1. Compensation measures were provided for, albeit implicitly, in the preliminary draft presented by the Commission. Nevertheless, the Council has chosen to follow a radically different course.

- The Commission was concerned by the need for balance in the 1984 budget and accordingly sought to avoid a situation in which recourse to specific compensation measures in the context of that budget would be possible. The Council, on the other hand, has opted for the financing of compensatory measures in the context of the 1983 budget.

- Without creating specific lines for financial compensation, the Commission linked the measures for eliminating budgetary imbalance to Community policies that need to be expanded - policies to deal with youth unemployment, to promote investment in the coal industry and to improve transport infrastructures - and set aside roughly 1,300 m ECU in commitment appropriations and 500 m ECU in payment appropriations for the purpose. At the present stage of the procedure, it is not possible to assess the content of the compensation measures entered by the Council since the proposed regulations have still not been adopted.

2. The inclusion in the 1984 budget of compensation for the United Kingdom was decided at the European Council in Stuttgart. At that meeting

it was made clear that 'this decision has been taken in the context of the adoption of the declaration on the future financing of the Community'. It will be noted that at the time no resources were earmarked to cover compensation payments to the FRG.

3. Parliament adopted a position on this type of compensatory measure when it voted on supplementary budget 1/82 and supplementary budget 1/83. In its resolution on the latter budget, Parliament recalled that in its resolution of 14 December 1982¹, it declared that it was unable to accept the draft supplementary budget

(a) without a political guarantee that these were the last special compensatory measures;

(b) unless the draft budget was amended to extend the validity of these special measures in the context of existing common policies;

(c) unless the expenditure for these financing operations was classified as non-compulsory.

4. One of lines earmarked for financial compensation measures is Article 707 'Specific Community measures relating to energy strategy'. The Council proposes that expenditure against this article should continue to be classified as non-compulsory expenditure. However, it considers that expenditure against the two other articles concerned - Article 649 'Special measures to promote employment' and Article 783 'Special projects on transport infrastructure', both of which are new lines - should be classified as compulsory expenditure.

Consideration might be given to the possibility of:

- transferring all the appropriations set aside for financial compensation measures to Chapter 100, given that the budgetary authority is not in a position to pronounce on their content;

- reaffirming the position adopted by Parliament in its resolutions of 14 December 1982 and 10 February 1983.

¹ OJ No. C13 of 17.1.1983

8. BORROWING AND LENDING INSTRUMENTS

81. Parliament should attempt, by means of the full budgetization of these instruments, to improve the utilization of resources for the objectives of its budgetary policy and, more especially, to achieve better coordination with the structural funds and subsidies. These instruments are particularly well suited to the achievement of the objectives laid down by the guidelines, particularly that of productive investment.

9. DECISIONS OF THE COMMITTEE ON BUDGETS

82. At its meeting of 17, 18 and 19 October 1983, the Committee on Budgets decided to utilize - in the context of the first reading - all the appropriations available for the financial year 1984 within the 1% VAT limit.

The amendments adopted cover a total of 550,058,071 ECU in payment appropriations and 2,484,261,598 ECU in commitment appropriations, broken down as follows:

	<u>Payments</u>	(m ECU)	<u>Commitments</u>
. Regional sector	120.0		337.5
. Social sector	149.0		253.8
. Research, energy, industry, transport	122.3		1,590.2
. Development aid	127.6		224.5
. Agricultural structures .	14.0		14.0
. Fisheries	10.7		37.8

The Committee on Budgets confirmed that the various financial problems currently facing the Community were inseparable and decided, with an eye to the forthcoming European Summit in Athens:

- to place in the reserve created under Chapter 100 825 m ECU, i.e. 5% of the appropriations set aside by the Council for the EAGGF Guarantee Section;

- to transfer to Chapter 100 all the appropriations (1,202 m ECU) set aside to compensate for the 'unacceptable situations' that have arisen in certain Member States with a view to using them for measures in the social,

energy and transport sectors and for projects in urban concentrations;

- to ensure that there are real prospects for the development of Community integration by adopting a position conducive to the achievement of a European industrial policy (1,200 m ECU in commitment appropriations).

The committee also decided to make extra resources available to the Community for measures to reduce unemployment among young people and to this end to increase the appropriations allocated to the European Social Fund.

BASIC DATA FOR THE PROCEDURE
FOR THE ESTABLISHMENT OF THE 1984 BUDGET

The attached tables show that:

- At present the amount of income still available is 556 m ECU. This ceiling must be kept to in the case of payment appropriations: under paragraph 4(1) of the decision of 21 April 1970, the budgetary authority must remain within the 1% VAT ceiling.
- The draft budget submitted by the Council contains an overall reduction of 3,287 m ECU in commitment appropriations and 1,922 m ECU in payment appropriations compared with the Commission's preliminary draft. Some of these reductions involve the appropriations which the Commission believed would rebalance and restructure the budget.

On the other hand, the Council has entered new appropriations, to come into effect immediately, to an amount of 1,202 m ECU as compensation for the United Kingdom and the Federal Republic of Germany.

The draft budget submitted by the Council for 1984 provides for less in payment appropriations than draft budget No. 2/83 (24,848 m ECU compared with 24,992 m ECU) and slightly more in commitment appropriations (26,594 m ECU compared with 26,528 m ECU).

COMPARISON BETWEEN THE DRAFT BUDGET
AND THE PRELIMINARY DRAFT BUDGET

R E V E N U E

(Million Ecus)

	<u>Preliminary Draft</u>	<u>Draft</u>	<u>Difference</u>
Agricultural levies	2 000,-	1 946,6	- 53,4
Sugar levies	996,6	1 003,2	+ 6,6
Custom duties	7 748,-	7 623,5	-124,5
Other income	329,8	222,3	-107,5
Sub-total	11 074,5	10 795,8	-278,7
 <u>VAT</u>			
Volume	14 453	14 052	-401
Rate	0,9558 %	0,9619 %	+ 0,0061 %
1 % VAT	15 122	14 608	-514
Amount still available up to 1% VAT ceiling	668	556	-112
<u>Total revenue</u>	<u>25 528</u>	<u>24 848</u>	<u>-680</u>

COMPARISON BETWEEN DRAFT BUDGET
AND PRELIMINARY DRAFT BUDGET

EXPENDITURE

(Million Ecus)

	<u>COMMITMENT APPROPRIATIONS</u>	<u>PAYMENT APPROPRIATIONS</u>
<u>PRELIMINARY DRAFT</u>	28 619	25 528
<u>DRAFT</u>	26 594	24 848
<u>Difference</u>		
Decreases	- 3 281	- 1 922
Increases ¹	+ 1 256	+ 1 242
Difference	- 2 025	- 680

¹ UK-FRG Compensations

CHANGES MADE TO COMMITMENT APPROPRIATIONS

	PRELIMINARY DRAFT 1984 (including chap. 100 appropriations)	Changes made by Council		DRAFT 1984 (including chap. 100 appropriations)
		Increase	Decrease	
EAGGF-GUARANTEE	<u>16 500,-</u>	-	-	<u>16 500,-</u>
EAGGF-GUIDANCE	<u>789,758</u>	<u>24,217</u>	<u>10,-</u>	<u>803,975</u>
FISHERIES POLICY	<u>171,494</u>	-	<u>35,137</u>	<u>136,357</u>
REGIONAL POLICY	<u>2 745,850</u>	-	<u>707,650</u>	<u>2 038,200</u>
incl: ERDF	2 500,-	-	500,-	2 000,-
EMS Measures	200,-	-	200,-	-
Mediterranean Prog.	10,-	-	7,-	3,-
Other	35,850	-	0,650	35,-
SOCIAL MEASURES	<u>2 611,858</u>	<u>275,-</u>	<u>788,218</u>	<u>2 098,640</u>
incl: ESF	2 400,-	-	700,-	1 700,-
Education & prof. training	16,482	-	1,997	14,-
ECSC contribution	110,-	-	60,-	50,-
Other	22,852	275,-	7,117	290,-
Environment/Consumers	21,064	-	11,009	10,-
Cultural Sector	2,540	-	0,945	1,-
Other	38,920	-	7,150	31,-
ECONOMIC MEASURES	<u>2 044,100</u>	<u>957,-</u>	<u>1 181,613</u>	<u>1 819,487</u>
incl: Energy	769,285	456,-	658,350	566,-
Research	1 052,842	-	451,735	601,-
Information- innovation	38,760	-	12,825	25,-
Industry	69,223	-	11,313	57,-
Transport	106,950	471,-	45,850	532,-
Other	7,040	-	1,540	5,-
Reserve	-	30,-	-	30,-
M.S. REFUNDS	<u>1 143,574</u>	-	<u>41,693</u>	<u>1 101,881</u>
DEVELOPMENT AID	<u>1 311,062</u>	-	<u>441,962</u>	<u>869,100</u>
incl: Food Aid	569,-	-	115,300	453,-
Non-associated developing countries	323,532	-	108,782	214,-
Other	418,530	-	217,880	200,-
101	<u>5,-</u>	-	-	<u>5,-</u>
<u>TOTAL APPROPRIATIONS FOR INTERVENTION</u>	<u>27 322,696</u>	<u>1 256,217</u>	<u>3 206,277</u>	<u>25 372,636</u>
<u>OTHER APPROPRIATIONS*</u>	<u>1 297,150</u>	-	<u>75,095</u>	<u>1 222,055</u>
<u>OVERALL TOTAL</u>	<u>28 619,846</u>	<u>1 256,217</u>	<u>3 281,372</u>	<u>26 594,691</u>

* Appropriations for the running of the Commission and other Institutions

PE 86.690/Ann.1/fin/B

CHANGES MADE TO PAYMENT APPROPRIATIONS

	PRELIMINARY DRAFT 1984 (including chap. 100 appropriations)	Changes made by Council		Draft 1984 (including chap. 100 appropriations)
		Increase	Decrease	
AGGF GUARANTEE SECTION	<u>16 500,-</u>	-	-	<u>16 500,-</u>
AGGF GUIDANCE SECTION	<u>697,622</u>	<u>16,12</u>	<u>44,697</u>	<u>669,045</u>
FISHERIES POLICY	<u>116,994</u>	-	<u>11,287</u>	<u>105,707</u>
REGIONAL POLICY	<u>1 742,450</u>	-	<u>407,650</u>	<u>1 334,800</u>
incl: ERDF	1 500,-	-	200,-	1 300,-
EMS Measures	200,-	-	200,-	-
Mediterranean Prog.	10,-	-	7,-	3,-
Other	32,450	-	0,650	31,80
SOCIAL MEASURES	<u>1 756,022</u>	<u>275,-</u>	<u>533,498</u>	<u>1 497,524</u>
incl: ESF	1 550,-	-	450,-	1 100,-
Education & Prof. training	16,482	-	1,997	14,48
ECSC contribution	110,-	-	60,-	50,-
Other	22,166	275,-	6,897	290,26
Environment/Consumers	15,914	-	6,509	9,40
Cultural Sector	2,540	-	0,945	1,59
Other	38,920	-	7,150	31,77
ECONOMIC MEASURES	<u>1 115,673</u>	<u>951,60</u>	<u>433,151</u>	<u>1 634,122</u>
incl: Energy	382,600	454,-	311,650	526,95
Research	990,955	-	97,078	493,87
Information/Innovation	34,175	-	11,490	22,68
Industry	66,953	-	9,543	57,41
Transport	33,950	471,-	1,850	503,10
Other	7,040	-	1,540	5,50
Reserve	-	24,60	-	24,60
U.S. REFUNDS	<u>1 143,574</u>	-	<u>41,693</u>	<u>1 101,881</u>
DEVELOPMENT AID	<u>1 153,935</u>	-	<u>375,607</u>	<u>778,328</u>
incl: Food Aid	569,-	-	115,30	453,70
Unassociated developing countries	196,132	-	67,227	128,90
Other	388,803	-	193,080	195,72
1	<u>5,-</u>	-	-	<u>5,-</u>
<u>TOTAL APPROPRIATIONS</u>	<u>24 231,270</u>	<u>1 242,72</u>	<u>1 947,942</u>	<u>23 626,407</u>
<u>INTERVENTION</u>	<u>1 297,150</u>	-	<u>75,095</u>	<u>1 222,055</u>
<u>OTHER APPROPRIATIONS*</u>	<u>25 528,420</u>	<u>1 242,72</u>	<u>1 922,682</u>	<u>24 848,458</u>

* Appropriations for the running of the Commission and other Institutions

ESTABLISHMENT PLAN(A) ADMINISTRATIVE BUDGET

1. The Commission requested:

- the creation of 289 permanent posts;
- the upgrading of 258 posts, justified in 220 cases by factors relating to career advancement and in the remaining 38 by the increased responsibilities of the officials concerned;
- the conversion of 70 local staff posts into established posts;
- the creation of 70 temporary posts, including 40 in the linguistic service, and the upgrading of 2 temporary posts in the linguistic service.

The Council has agreed to none of these requests, maintaining that the Commission should be able to discharge its workload in 1984 by filling vacant posts and by redeploying staff among its various departments.

2. The request for the creation of permanent posts calls for the following remarks:

- (a) The Commission has taken account of the opinions delivered by Parliament on the question of staff mobility. It is evident from information supplied by the Commission that it is eager to promote staff mobility, even though the results achieved in recent years have been rather poor in relation to the Institution's total staff complement. There was a general reshaping of the Commission's departments in 1977. In addition, the Commission has set up a standing committee to study the problems of mobility. In this connection, it will be appreciated that a balance has to be struck between increased mobility and the need always to bear in mind the professional abilities and skills of the staff concerned and the smooth functioning of the various departments involved.

- (b) Of the 9,480 posts on the Commission's permanent administrative establishment plan, 428 posts, including 180 LA posts, are at present vacant. With the exception of the LA posts, these vacancies ought to be filled rapidly, since the Commission currently has reserve lists of successful candidates who can be called upon immediately¹.
- (c) In past years Parliament has authorized the creation of a number of posts: 105 in 1981, 120 in 1982 and 113 in 1983. Information supplied by the Commission shows that the departmental assignation of the posts created in 1983 is consistent with the political priorities stipulated by Parliament².

The Commission estimated that the cost of the posts to be created - depending on when they were created during the 1984 financial year - would, in the case of 100 posts, be 1,800,000 ECU for a period of 6 months and 900,000 ECU for a period of 3 months.

3. The Commission's proposal that 258 posts be upgraded in the interests of career advancement is justified by the fact that officials in the Commission tend to remain in a single grade for more years than their counterparts in the other institutions³.

As for the upgrading of posts on grounds of increased responsibility, the object is to ensure that all the 72 specialist departments included on the Commission's establishment plan are divisions headed by an A 3 official. Hence the request that 8 A 4 posts be upgraded to A 3 in the 1984 budget.

¹ The vacancies in each category other than the LA (translators) category are as follows: 48 A, 126 B, 44 C and 30 D.

² Parliament requested: 3 posts for external relations, 33 for cooperation/development, 25 for agriculture/fisheries, 8 for environment/consumer protection, 7 for the Social Fund, 3 for the Regional Fund, 2 for women's rights, 11 for budgetary control, 3 for energy, 5 for statistics, 2 for integrated operations, 6 for industry/innovation, 3 for anti-dumping, none for steel, 2 for other sectors - TOTAL: 113 posts.

The Commission approved the following number of posts for each of these sectors in turn: 10, 39, 24, 3, 3, 3, 1, 6, 3, 4, 3, 4, 5, 10 and 18 - TOTAL: 136 posts.

³ According to statistics produced by the Commission, the officials occupying the posts upgraded in the 1984 preliminary draft have been awaiting promotion for the following number of years on average: 7.8 years (A 5 to A 4), 6.6 years (A 6 to A 5), 7.1 years (LA 5 to LA 4), 8.8 years (B 2 to B 1), 5.8 years (B 3 to B 2), 4.6 years (B 4 to B 3) and 9.8 years (C 2 to C 1).

In the case of other upgraded posts, the aim is to ensure that staff in the lowest grades are treated on a par with their counterparts in the other institutions. Hence the request that 26 D 4 posts be upgraded to D 3. Furthermore, the number of senior officials in the Commission's translation service in Luxembourg differs from one section to another. Hence the request that 3 LA 4 posts be upgraded to LA 3.

4. The proposal to establish 70 local staff represents the continuation of a policy first introduced by the Commission in 1980. Such a policy is also reflected in the establishment plans of the Council and Parliament. The proposal would not give rise to any additional expenditure because of the overlap of the salaries in the different grades of the career brackets concerned.

5. The 70 temporary posts (40 LA posts plus C 3-2 secretarial posts) requested by the Commission would enable it to set up a small group of linguists with the necessary secretarial support to deal with the translation work arising from the accession of Spain and Portugal.

(B) RESEARCH AND INVESTMENT ACTIVITIES

6. The Commission requested:

- the creation of 38 posts for the JRC, 71 posts for indirect actions and 91 temporary posts for the ESPRIT programme;
- the upgrading of 180 posts and the switching of 16 posts from one career bracket to another in the JRC;
- the regrading of 31 posts for indirect actions;
- the regrading of 14 posts in connection with the JET project;
- the conversion of 10 temporary posts into permanent posts in connection with the FAST programme;
- the transfer of senior staff (administrative/S and T): 10 to the JRC, 4 to work on indirect actions and 4 to work on JET.

7. The Council has accepted none of these requests. Instead, it has created 3 new posts for indirect actions (research connected with development projects).

8. The Commission's requests call for the following remarks:

- (a) With the shedding of 57 posts on the SUPER-SARA project, the JRC staff complement is now at its statutory level of 2,260. During its examination of the JRC's 1984-1987 multiannual programme, the Committee on Budgets took the view that the 38 posts transferred in the context of the 1983 budget from the JRC to DG XII should not be replaced and that the number of staff should therefore be fixed at 2,222.
- (b) As far as indirect actions are concerned, it is essential, on the whole, to ensure that there are sufficient staff to carry out the research programmes to which Parliament gives priority.
- (c) As for the upgrading of posts, it must be pointed out that, except in the 1983 budget, no research posts have been allowed to be upgraded for a number of years, with the result that research staff find themselves in a far more difficult position than the Commission's administrative staff.

(C) CONCLUSIONS

9. In the light of the above remarks, it is suggested that the Commission's requests could be partially met, as follows:

(a) Administrative establishment plan

- creation of 100 permanent posts (out of 289), one-third being assigned to management tasks and two-thirds to new projects; for reasons of budgetary austerity, it is proposed that a sum corresponding to three months' salary only should be set aside;
- regrading of half the posts proposed by the Commission in the interests of career advancement (110 out of 220);
- agreement to the upgrading of 38 posts on grounds of increased responsibility;
- conversion of 50 local staff posts into established posts (out of 70);

- creation of 20 LA and 15 C 3-2 temporary posts in the linguistic service.

It is safe to assume that the regrading and upgrading of posts and the establishment of local staff as proposed will have no financial repercussions.

(b) Research and investment activities

- creation of the 91 temporary posts requested for the ESPRIT programme;
- creation of half (35) the 71 posts requested for direct actions;
- as in the case of the administrative establishment plan, regrading of half the posts requested (90 in the interests of career advancement, 16 for direct actions and 7 in connection with the JET project);
- conversion of 10 temporary posts into permanent posts in connection with the FAST programme;
- transfer of senior staff to fill 12 posts (4 in the JRC, 4 to work on indirect actions and 4 to work on JET).

As far as the creation of posts is concerned, it should be assumed, for reasons of budgetary austerity, that they will not give rise to expenditure for more than three months of the 1984 financial year.