

BUDGET DISCIPLINE

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1. The European Council reaffirms that budget discipline has a central role to play in ensuring that the Community's finances remain in good shape. Budget discipline is important in all policies to ensure a sustainable relationship between commitments, payments and available own resources.
2. In many cases, assistance from the Community budget is mainly intended as a stimulus and an incentive in support of regulations or coordination measures. Such operations must therefore be only temporary or, at least, subject to periodical review of their justification in terms of subsidiarity.
3. The European Council especially welcomes the Commission's intention to review periodically, in particular within the framework of the annual budget procedure, the justification of ongoing actions.
4. The budgetary discipline applicable to all expenditure other than EAGGF Guarantee expenditure shall be ensured on the basis of the arrangements contained in the Inter-institutional Agreement and the Financial Regulation. Legislative decisions of the Council which have expenditure implications must be consistent with the Financial Perspective that forms part of the Inter-institutional Agreement (These points will require an amendment to articles 14 and 15 of the Budget Discipline Decision).

5. Given the size of the agricultural budget, the effective control of agricultural production and expenditure within the guideline is particularly important. This will continue to be underpinned by the operation of stabilizers. In this respect the European Council notes that the recent agreement on CAP reform involves increasing use of payments direct to producers, and that revised stabilizers have been included in the reformed regimes to control expenditure on such payments. It asks the Commission to ensure that effective stabilizers are applied to all the main commodities and are included in all further proposals for the reform of these CAP sectors.¹⁾
6. The European Council attaches importance to ensuring that expenditure is kept in line with the annual EAGGF Guarantee provision. If, for an individual chapter, expenditure is exceeding the profile in its early warning reports, the Commission should analyze the reasons for this and the risk that the budget provision will be exceeded by the end of the year. If the Commission concludes that such risk exists, it should use the management powers at its disposal, including those which it has under the stabilizing measures, to remedy the situation. If these measures are insufficient, the Commission should present proposals to the Council for appropriate action to control expenditure, which may include strengthening the stabilizers in the relevant sector. The Council should act within a period of two months to bring expenditure back into line with the provision for the budget chapter concerned if possible by the end of the year in question. (These points will require an amendment to article 6 of the Budget Discipline Decision.)
7. All Commission proposals for legislation involving costs to be covered by the agricultural guideline shall be consistent with the limits laid down by that guideline (to replace Article 5 (1) of the present Decision).
8. Any Member State should be entitled to ask the Commission to make an assessment of the financial implications of any change to a Commission proposal suggested in the course of Council discussion. The Commission shall produce this assessment before a decision is taken on the amended proposal. Appropriate procedures should be included in the revised Budgetary Discipline Decision (as an addition to article 5).

1) New stabilizers, included in the recent agreement on CAP reform, cover: Cereals, oilseeds, protein plants, dried fodder, tobacco, beefmeat, sheepmeat and goat meat. Stabilizers also operate in the following regimes: Sugar, olive oil, cotton, wine, fruit and vegetables, milk.

9. The European Council welcomes the Commission suggestion that transfers from the Monetary Reserve to the EAGGF Guarantee budget should not be made where it is clear that the budget will have adequate provision for the year without the transfer. As for irregularities, and where there are significant problems over data supplied by Member States, it notes that the Commission will bring forward a proposal on the possibility of temporarily reducing or suspending monthly advances to Member States.
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