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17 October 1997

A4-0290/97/PART A

REPORT

on the draft general budget of the European Union for the financial year 1998

Section III - Commission
(COM(97)0280 - C4-0300/97)

Part A : Motion for a resolution

Committee on Budgets

Rapporteur: Mr Stanislaw Tillich

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published
separately

At its meeting of 21 January 1997 the Committee on Budgets appointed Mr Tillich rapporteur.

At its meeting of 29 January 1997 it held an initial exchange of views on the guidelines for the 1997 budget (Section III - Commission).

On 24 July 1997 the Council established the draft budget and forwarded it to the European Parliament by letter of 9 September 1997.

The Committee on Budgets considered the draft budget at its meetings of 2/3 September, 15 September, 23/24 September, 29/30 September, 7/8/9 October and 16 October 1997.

At the last meeting it adopted the motion for a resolution by 27 to 1.

The following took part in the vote: Samland, chairman; Tillich, vice-chairman and rapporteur; Giansily, vice-chairman; Bösch, Bourlanges, Brinkhorst, Cardona (for Di Prima), Colom i Naval, Dell'Alba, Dührkop Dührkop, Elles, Fabra Vallés, Fabre-Aubrespy, Ghilardotti, Hallam (for Dankert), Haug, McCartin, Piha (for Bardong), Pimenta, Pronk (for Böge), Rübzig (for Garriga Polledo), Seppänen, Tappin, Theato, Virrankoski, Waidelich, Wemheuer (for Krehl) and Wynn.

The explanatory statement, the decisions of the Committee on Budgets on the draft amendments and proposals for modifications, as well as the opinions of the other committees concerned will be published separately.

The report was tabled on 17 October 1997.

The deadline for tabling amendments is 12 noon on Tuesday, 21 October 1997.

A

MOTION FOR A RESOLUTION

Resolution on the draft general budget of the European Union for the financial year 1998 -
Section III - Commission

The European Parliament,

- having regard to Article 203 of the EC Treaty, Article 177 of the EAEC Treaty and Article 78 of the ECSC Treaty,
- having regard to the Interinstitutional Agreement of 29 October 1993¹ on budgetary discipline and improvement of the budgetary procedure and the financial perspective attached thereto,
- having regard to the Council decision of 31 October 1994² on the system of own resources of the European Communities,
- having regard to the decision of the Edinburgh European Council and the other commitments of the Member States and the institutions concerning the level of financing of structural actions and the Cohesion Fund of the Union,
- having regard to the preliminary draft budget submitted by the Commission (COM(97)0280),
- having regard to the draft budget established by the Council on 24 July 1997 (C4-0300/97),
- having regard to its resolution of 13 March 1997 on the guidelines for the 1998 budget³,
- having regard to its resolution of 28 March 1996 on the allocation of the reserve for Community initiatives⁴,
- having regard to its resolution of 24 April 1997 on the proposal for a Decision on the adjustment of the financial perspective to take account of the conditions of implementation pursuant to paragraph 10 of the Interinstitutional Agreement of 29 October 1993⁵,

¹ OJ C 331, 7.12.1993, p. 1.

² OJ L 293, 12.11.1994, p. 9.

³ OJ C 115, 14.4.1997, p. 178.

⁴ OJ C 117, 22.4.1996, p. 34.

⁵ OJ C 150, 19.5.1997, p. 20.

- having regard to its resolution on the ad hoc procedure for the 1998 budget, as provided for in Annex II on interinstitutional collaboration in the budgetary sector to the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure⁶, and on the conciliation procedure concerning financing international fisheries agreements, as outlined in the joint statement of 12 December 1996⁷,
 - having regard to the Interinstitutional Agreement of 16 July 1997 between the European Parliament, the Council and the European Commission on provisions regarding financing of the Common Foreign and Security Policy⁸,
 - having regard to the results of the trilogues of 8 April 1997, 26 June 1997 and 6 October 1997, and in particular the agreement to introduce a letter of amendment as late as possible in the procedure to allow the most recent forecasts to be included in the agricultural budget through the ad hoc procedure,
 - having regard to the report of the Committee on Budgets and the opinions of the other committees concerned (A4-0290/97),
- A. whereas a budget should be adopted that fulfils the expectations of the citizens of the European Union and that ensures the necessary budgetary discipline for the successful introduction of European Monetary Union and the single currency,
 - B. whereas the continued health of the European economy can only be ensured with high levels of employment, low levels of inflation, and competitive rates of economic growth,
 - C. whereas the EU and its Member States should send out a clear signal on the high priority that they give to creating employment; whereas the budget of the European Union is an instrument that can contribute to this,
 - D. whereas the Council's draft budget of 24 July 1997 has been drawn up requiring own resources corresponding to 1.12% of GNP, below the preliminary draft budget level of 1.15%, which was itself already 0.11% below the own resources ceiling set by Council Decision 94/728 of 31 October 1994⁹; whereas the Council's draft budget agrees funding for the Structural and Cohesion Funds, following the Edinburgh Summit accord, amounting to 6.3% more than the 1997 budget in commitment appropriations and 4.18% more in payment appropriations;
 - E. whereas the Council's proposed reduction in payment appropriations for structural actions risks creating a 'burden of the future' on payments as a result of the high rate of implementation of current commitment appropriations,

⁶ Minutes of the sitting of 17 July 1997 (A4-0247/97).

⁷ OJ C 20, 20.1.1997, p. 109.

⁸ Minutes of the sitting of 16 July 1997 (A4-0249/97).

⁹ OJ L 293, 12.11.1994, p. 9.

Labour market and employment initiative

1. Welcomes its decision to create a new policy in the budget for the labour market and employment initiatives, mainly encouraging investments in small and medium-sized enterprises, and to provide substantial financing for a new European initiative to bolster employment throughout Europe;
2. Welcomes the initiatives of the Luxembourg Presidency to convene a special European Council and expects that European Council to give a clear mandate to the institutions to draw up the appropriate legal basis without delay, given that implementation of the funding for the initiative should begin in early 1998;
3. Points out that no initiative with a substantial financial framework could have been launched by the Council without Parliament's decision to provide the necessary financing; welcomes the Presidency's initiative to involve Parliament from the very beginning of the decision-making process; considers that this initiative is an example of genuine improvement in the relationship between the legislative and budgetary authorities;
4. Believes that the success of such an initiative through real power-sharing between the Council, for the adoption of the legal basis, and Parliament, for the budget leeway created in heading 3 of the financial perspective, is not only a clear signal for the Union's citizens of the Union's desire to use public money wisely in the interests of all its citizens, but also a positive message on the growing understanding of the need for cooperation between the Union's institutions in building Europe together;
5. Confirms its firm determination to strengthen employment-related initiatives in the 1998 budget; states that, in the event of the Council not committing itself to taking a specific decision on the legal basis promptly, Parliament will strengthen all internal policies that have an indirect link with job creation, which remains the major concern amongst European citizens;
6. Urges the European Council to ensure that any employment initiative for SMEs launched at its November Summit avoids any duplication with existing programmes in this sector; requests that job creating initiatives, in particular for small and medium-sized enterprises, should be brought together within a single heading of any new financial perspective for 1999;

Institutional issues

7. Recalls its resolution of 12 December 1995¹⁰ on legal bases; is convinced that only a well-balanced and flexible interinstitutional agreement can provide a long-term solution to this problem; and therefore urges the Council once more to open serious negotiations with Parliament on this matter;

¹⁰ OJ C 17, 22.1.1996, p. 27.

8. Urges the Council to take initiatives in order to adopt proper legal bases to respect the Council's own priorities, such as promotion of tourism and the support for the European audiovisual industry, for example for Philoxenia and the Guarantee Fund, given the great economic potential of these sectors; asks the Commission to put forward the appropriate budgetary proposal once the legal bases are adopted;
9. Considers that the employment initiative underlines the distinction between, on the one hand, the political conviction of an institution and, in this particular matter, the budgetary authority to set in train a significant activity and, on the other, the procedural aspects concerning the legal basis which must provide objective elements subject to judicial oversight;
10. Notes that the letter, dated 6 October 1997, from the President-in-Office of the Council concerning the employment initiative and its legal basis, is a signpost to real institutional progress, particularly within the budgetary procedure, in that it recognizes the role of the budget guidelines adopted before the procedure formally begins; notes also that this letter underlines how outdated Article 203 of the EC Treaty is; therefore calls for the rationalization of the budgetary procedure, so that it can respond in time to problems confronting the Community;
11. Calls on the Commission to prepare initial proposals to apply the principles of 'zero-based' budgeting to a selection of appropriate budget lines prior to the production of the 1999 preliminary draft budget, and to submit these proposals to the budgetary authority; further calls on the Commission to produce a more detailed report, prior to Parliament's first reading of the 1999 budget, on its proposals to apply 'zero-based' budgeting more systematically as part of the SEM 2000 programme;
12. Approves the decision to ensure that beneficiaries of EU funding publicise this fact; insists that full reporting be maintained on the use of such funding;
13. Requires the Commission to prepare the 1999 budget with the EURO as its unit of account;
14. Recalls the Joint Declaration of 6 March 1995, in which the Institutions agreed that the budgetary authority's decisions should conform to the financial frameworks included in legislative acts adopted pursuant to Article 189b of the EC Treaty; further recalls that, within the multiannual financial framework agreed under the codecision procedure, the annual amount is nevertheless determined by the budgetary authority;

Heading 1 - Agriculture

15. Welcomes the Commission's readiness to present a Letter of Amendment at the end of October that will help the budgetary authority to prepare a budget in December which more closely reflects real needs;
16. Recalls its resolution of 17 July 1997 on the ad hoc procedure for the 1998 budget which implies that a well-founded and argued reduction or increase of budget lines within the limits of the preliminary draft budget is preferable to an across-the-board cut against budget lines;

17. Notes with satisfaction that the Council has accepted that the ad hoc procedure should remain open, in order to find common ground with Parliament on the Letter of Amendment;
18. Therefore approves the list of changes to Subsection B1, attached to this resolution, and gives a mandate to its delegation to negotiate a common stance with the Council on these proposed changes and on the adoption of the Letter of Amendment;
19. Welcomes the vote to restore the nomenclature of the preliminary draft budget and invites the Council to accept the Commission proposal so as to provide a more rational and understandable presentation of the agricultural budget;
20. Notes that Council Regulation No 2078/92 on agricultural production methods entered into force over six years ago; notes also that a report was to be prepared on the application of this Regulation after three years; urges the Commission to present this long-awaited report to Parliament and Council, before the second reading of the budget, evaluating the agricultural production methods compatible with protection of the environment and maintenance of the countryside;
21. Requests the Commission, in its capacity as a supervisory body in the assessment process, to call on the Member States, before the second reading of the 1998 budget, to prepare a report on existing or planned monitoring activities and to forward the report on monitoring activities carried out by the Member States to the European Parliament by 30 April 1998 at the latest;
22. Urges the Commission to pursue the aim of creating sustainable agriculture and to present, as soon as possible:
 - codes of good agricultural practice,
 - agreed operational environmental standards and indicators,
 - measures to implement the principles that preventive action should be taken and that possible environmental damage should be rectified at source as a priority;

Heading 2 - Structural actions

23. Welcomes the decision to restore the payment appropriations of the Structural Funds, reduced without justification by the Council, and notes the improvement in implementation of the Structural Funds;
24. Recalls that Council and Parliament opposed financing the increase in 1998 of the PEACE Community initiative from a negative reserve, at the conciliation meeting on 24 July 1997, and invited the Commission to look for a solution and to present it to the budgetary authority before Parliament's first reading;
25. Welcomes the constructive proposal by the Commission to allow the budgetary authority to replace the suggested negative reserve with unallocated funding from within heading 2 to finance the PEACE initiative in 1998; notes nevertheless that:

- such a reallocation will allow the Edinburgh Summit decisions to be respected, in particular in relation to Objective 1 regions;
 - the financial resources now made available for the PEACE initiative had not been allocated to any initiative or Member State;
26. Invites the Commission to clarify the situation of the existing unallocated outstanding balances in the Structural Funds before the second reading;
27. Recalls its resolutions on the creation of the Community initiatives RECHAR II and RETEX II¹¹ and on the allocation of the reserve for Community initiatives¹²; recalls that these two initiatives should be allocated a multiannual financial framework of ECU 500 m and ECU 650 m respectively (1994 prices and EU 12); welcomes the decision, by means of a budget amendment, to increase funding for these programmes in 1998 from the unallocated appropriations in heading 2;
28. Calls on the Commission to apply rigorously the concept of mainstreaming to bring about equality of opportunity between men and women, adopted in 1997, and to incorporate gender-specific aspects into the planning, implementation and evaluation of projects and programmes;

Heading 3 - Internal policies

Culture

29. Welcomes the decisions taken in the culture and education sector to re-establish a level of expenditure more appropriate to the expectations in this field; confirms that the Socrates and Voluntary Service programmes can be financed with a view to respecting the multiannual financial framework requested by Parliament in the codecision process;

Information

30. Takes note of the progress made by the Commission in restructuring and redirecting the Union's information policy; believes, however, that the measures adopted so far are insufficient to establish the European Information System called for as long ago as 1996; asks that clear guidelines be drawn up in the framework of an interinstitutional dialogue at the highest level of Parliament and the Commission in order to provide more effective communication with citizens of the Union and better value for money; resolves to place 30% in the reserve for line B3-300, subject to submission of appropriate proposals involving more extensive interinstitutional cooperation;
31. Instructs the Commission and Parliament, to present a joint report, at the latest by the end of March 1998, on the progress made so far and still to be achieved to attain the objectives fixed for the year 2000, regarding centralized and decentralized activities, to establish

¹¹ OJ C 205, 25.7.1994, p. 101 and OJ C 205, 25.7.1994, p. 104.

¹² OJ C 117, 22.4.1996, p. 34.

common Europe Houses; states that this report must contain concrete proposals for consequent savings in establishment plans, administrative expenditure and operational work;

32. Considers that support from the EU information policy budget should only be provided to radio and TV outlets which have contractual links with the Community; expects the Commission to bring forward a clear statement on the new strategy linking Euronews and other radio or television operations within the global EU information policy;
33. Approves the budgetary decision to enter ECU 15 m in the reserve for the information campaigns (PRINCE: B3-306); resolves that this funding shall be released at the latest by early 1998, once the interinstitutional working group has decided on the division of funding between the campaigns, taking account of Parliament's stated priorities;
34. Welcomes the budgetary decision to reduce funding available for publications in paper form, including those on public contracts; urges the Commission to take steps rapidly to publish the Official Journal (S series) on-line and through other electronic means; requests the Commission to present to the budgetary authority a communication on the costs and benefits of the wider use of electronic publication of the Official Journal and other similar publications, describing practices in the Member States and making proposals on access to, and pricing of, such publications; approves the decision to enter funding in the reserve, to be released on the satisfactory resolution of duplication of work on the consolidation of Community law;

Agencies

35. Notes with satisfaction the decision to present the budgets of the satellite bodies of the Union in a more transparent and harmonized way similar to those of the two first-generation agencies; points out that this new presentation is intended to give the budgetary authority a clear view of revenues, expenditure and staffing and provides a direct link between the work programme and the approved budget, as Parliament has sought;
36. To avoid situations that have occurred in the past, requests the Commission to inform the budgetary authority fully beforehand of the modifications made to the published budget and establishment plan; invites the Commission to report to the budgetary authority on the implementation of the budget of the agencies, before payment of the third part of the subsidy, which shall be subject to compliance by the agencies with the decisions of the budgetary authority;
37. Requests the Commission to ensure that, in the event of the European Environment Agency being selected to undertake systematic monitoring and evaluation, so as to assess the environmental impact of development schemes or other aspects under the Phare, Tacis and Meda programmes, the Agency is paid a contribution to the costs, case-by-case, for its participation in these specific activities;
38. Welcomes the submission of the proposal for amending the Regulations on the agencies; notes that significant progress has been made towards agreement on the issues concerning harmonizing the financial regulations of the agencies; approves the decision to enter funding in the reserve, pending verification that the forthcoming proposal on this matter

complies with Parliament's decisions and provides the Commission's Financial Controller with the extra staff needed to implement the new legislation;

Energy

39. Urges the Council to adopt legal bases for the major Union programmes in the energy sector; requests the Commission to take the appropriate measures to top-up the lines as soon as the legal bases have been adopted;

Research

40. Approves the decision to specify the overall amount of administrative expenditure for each of the specific programmes and activities of the Fourth R & D Framework Programme; supports the Commission's efforts to reduce the administrative costs of the research programmes, and stresses that an amount of ECU 13 m has been released for scientific research work through better control of administrative costs;
41. Invites the other arm of the budgetary authority to study with it more effective ways of controlling administrative expenditure in research in the forthcoming Fifth Framework Programme;
42. Notes that the decisions of the Court of Justice in joined Cases T-177/94 and T-377/94 found that the JET statute discriminates against certain categories of staff working at JET; urges all parties in the dispute to come to an early agreement as to how the Court's decision is to be implemented, if possible before Parliament's second reading; approves its decision to place the funding for the fusion programme in the reserve, pending early settlement;

Internal policies of the Union and the applicant countries

43. Requests the Commission to present in the budget detailed information on the opening up of the Union's internal policy to non-member countries, indicating particularly the contributions from the non-member countries added to the appropriations set aside for each Community activity, in order to encourage the phasing-in of those countries into the *acquis communautaire*;

Heading 4 - External actions

Latin America

44. Welcomes its decision to increase funding above the preliminary draft budget for economic, financial and technical cooperation with Latin American developing countries, so as to underline the commitment by the Union to fostering its relations with this region of the world, and to redressing somewhat the balance of its aid effort away from its immediate neighbours, along the lines recommended by Parliament in its various reports on the matter;

MEDA, PHARE and TACIS

45. Notes the decisions to enter 10% of the MEDA programme appropriations in the reserve, pending information on the results of an interim evaluation report, and the establishment of a regular transfer of information on the implementation of the programme; also notes its

decision to enter 10% of the appropriations of the TACIS programme in the reserve and awaits clarification concerning improvements in its financial implementation and concerning the link between technical assistance and investment;

46. Notes that the PHARE programme was initially designed to support transition to a market economy and to democracy; recognizes that it still has to confirm its role as a key instrument in the implementation of the pre-accession strategy; considers it necessary, therefore, to transpose into budgetary terms the reorientation of this programme from being demand-driven to being accession-driven, and to arrange for funds not committed by the end of the year to be used for the reconstruction and rehabilitation of road and telecommunications infrastructures and the schools and hospitals damaged during the disastrous floods in July 1997 in the countries concerned;

Baltic states

47. Notes its decision to create a new article, "Special action in favour of the Baltic region" (B7-522N); points out that this article is intended to cover the financing of actions to assist this region in the context of harmonisation of the joint approaches of the INTERREG, PHARE and TACIS programmes;

Human rights

48. Approves the decision to make more transparent the European initiative for democracy and the protection of human rights by creating specific items in Chapter B7-70 in the budget for these activities; agrees that the Commission work in this area will be assisted by an advisory working party, comprising representatives of Parliament and of the Commission, to which programme proposals will be submitted for approval; welcomes the budgetary emphasis on the preparation and training for election observation missions;

Former Yugoslavia

49. Is deeply concerned by the failure to comply with the provisions of the Dayton Agreement regarding the return of refugees to Bosnia-Herzegovina; after having heard a report from the Office of the High Representative that EU funds have not been implemented under line B7-541 in conformity with the budget remarks, approves the decision to enter ECU 30 m in the reserve and sets out clear conditions to be fulfilled on the numbers of refugees returning, the timetable for repatriation, strict control by the Commission on the use of the funding, and periodic reporting to the budgetary authority; requires the Commission to improve its internal organization in order to apply the Union's policy more efficiently and effectively;

CFSP

50. Welcomes the recommendation made, pursuant to the Interinstitutional Agreement of 16 July 1997, at the trilogue held on 6 October concerning the financing of the CFSP; notes the reduction of ECU 1 m for emergency measures and the increase of ECU 1 m, in the disarmament item, for anti-personnel mine clearance; notes also the introductory remarks to the chapter summarizing the main points of the IIA; approves the decision to extend the remarks on emergency measures to include a reference to a European civilian peace corps;

Heading 5 - Administrative expenditure

Subsidies

51. Recognizes that the Union's citizens have a right to be informed, as taxpayers and thus contributors to the Union, of the use of Community funds; approves its decision to provide greater transparency in the granting of subsidies from the Union's budget and greater accountability of the beneficiaries to the budgetary authority; has therefore approved a global remark giving the institutions the means to implement better control;
52. Has continued to improve the nomenclature so as to provide greater visibility with regard to the Part A subsidies granted to foster European civil society; has introduced criteria on cofinancing from external sources as a condition for inclusion in a special new subtitle A-302; expresses the intention of applying a similar approach for subsidies in Part B in the 1999 budget;

Staff

53. Has adopted, by means of budget amendments, important changes in the establishment plan of the Commission, notably:
 - replacing 30 C5 by 20 A8, which reduces, for the first time, the Commission's establishment plan;
 - concluding the screening procedure undertaken in 1992 to convert appropriations into 150 posts;
 - creating the possibility of reserving 20 new posts for a high-level department for enlargement, in the event that the European Council supports this in December, before Parliament's second reading;
54. Insists that the Commission respect the priorities adopted by Parliament, and for which appropriations are entered in the reserve, in the allocation of new posts and in its redeployment; states that these priorities are:
 - the strengthening of DG XXIV to enable performance of the tasks required for better monitoring, subsequent to the BSE crisis;
 - the setting up of a high-level department for the enlargement negotiations;
 - the necessary resourcing of the UCLAF, earmarked for the unit, created in 1997, to monitor aid to third countries;
 - the strengthening of the Financial Control department in order to carry out the new tasks which will be entrusted to it, provided that the Commission has first submitted a proposal to harmonize the financial regulations of the satellite agencies and that that proposal is in line with the terms agreed by the representatives of the Committees on Budgets and Budgetary Control and of the Commission;

- the augmenting of staff allocated to cooperation within the third pillar, especially with a view to enlargement;
 - the augmenting of the ad hoc group on verification of the environmental aspects of key Community projects within the Secretariat-General so as to allow specific proposals for measures to promote sustainable agriculture to be brought forward, to develop a code of good agricultural practice, and to draw up operational environmental standards in line with Commissioner Fischler's statement in July 1996;
 - the entry of appropriations (a) to improve the legal texts of the Community such as the corpus juris regarding compatibility between European regulations and national laws, and (b) to finance a study on the global revision of the financial rules of December 1977;
55. Invites the Commission to phase out the budget subsidy to the canteen and restaurant sector and to redeploy the sector's staff governed by the Staff Regulations in administrative departments;
56. Reiterates its urgent demand to the Commission to come forward with a report on the pensions system for the Union's officials;
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57. Approves its decision to present to the Council all the budget amendments adopted to heading 3 of the financial perspective in one single amendment in order to stress its commitment to create all the conditions for a European initiative to assist employment in the 1998 budget;
58. Instructs its President to forward this resolution to the Council, the Commission and the other Institutions and satellite bodies of the European Union.

Annex to the resolution on the ad hoc procedure 1998

List of changes to the draft budget

*in million
Ecu*

No. Budget line	Title	PDB 1998	DB 1998	Difference	Proposed Amount
		Commitme nt	Commitme nt	Commitme nt	Commitme nt
B1-1000	Refunds on common wheat grain and flour	228.000	221.000	-30.000	191.000
B1-1001	Refunds on barley grain and malt	309.000	299.000	-25.000	274.000
B1-110	Refunds on sugar and isoglucose	1.312.000	1.216.000	-12.000	1.204.000
B1-1402	Production aid for hemp	10.000	10.000	4.000	14.000
B1-254	Specific aid for bee-keeping	12.000	12.000	3.000	15.000
B1-3601	Monitoring and preventative measures - Direct payments to the European Union	25.000	24.000	10.000	34.000
B1-3800	Promotion measures - Payments by the Member States	49.000	47.000	30.000	77.000
B1-3801	Promotion measures - Direct payments by the European Union	31.000	30.000	1.000	31.000
B1-381N	Quality promotion measures	-	-	15.000	15.000
B1-5011	Environment	1.540.000	1.489.000	0.000	1.489.000