

# EUROPEAN PARLIAMENT

1999



2004

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*Session document*

11 November 1999

**FINAL**  
**A5-0055/1999**

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## **REPORT**

on the proposal for a Council regulation on budgetary discipline  
(COM(1999) 364 – C5-0141/1999 – 1999/0151(CNS))

Committee on Budgets

Rapporteur: Mr. Ioannis Averoff

PE 231.592.fin.

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members to give assent*  
*majority of the votes cast in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

### ***Abbreviations for committees***

- I. AFET Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy
- II. BUDG Committee on Budgets
- III. CONT Committee on Budgetary Control
- IV. LIBE Committee on Citizens' Freedoms and Rights, Justice and Home Affairs
- V. ECON Committee on Economic and Monetary Affairs
- VI. JURI Committee on Legal Affairs and the Internal Market
- VII. INDU Committee on Industry, External Trade, Research and Energy
- VIII. EMPL Committee on Employment and Social Affairs
- IX. ENVI Committee on the Environment, Public Health and Consumer Policy
- X. AGRI Committee on Agriculture and Rural Development
- XI. PECH Committee on Fisheries
- XII. REGI Committee on Regional Policy, Transport and Tourism
- XIII. CULT Committee on Culture, Youth, Education, the Media and Sport
- XIV. DEVE Committee on Development and Cooperation
- XV. AFCO Committee on Constitutional Affairs
- XVI. FEMM Committee on Women's Rights and Equal Opportunities
- XVII. PETI Committee on Petitions

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## PROCEDURAL PAGE – CONSULTATION PROCEDURE

By letter of 15 September 1999 the Council consulted Parliament pursuant to Articles 37, 279 and 308 of the EC Treaty on the proposal for a Council Regulation on budgetary discipline (COM(1999) 364 – C5-0141/1999 – 1999/0151(CNS)).

At the sitting of 17 September 1999 the President of Parliament announced that he had referred this proposal to the Committee on Budgets as the committee responsible and the Committee on Agriculture and Rural Development, the Committee on Budgetary Control, the Committee on Economic and Monetary Affairs and the Committee on Industry, External Trade, Research and Energy for their opinions.

The Committee on Budget appointed Mr Averoff rapporteur at its meeting of 22 September 1999.

It considered the draft report at its meetings of 13 October and 8 November 1999.

At the last meeting it adopted the draft legislative resolution unanimously.

The following took part in the vote: Wynn, chairman; Dührkop Dührkop , vice-chairwoman; Averoff (Rapporteur), Böge, Bourlanges, Bösch (for Krehl), Buitenweg, Casaca, Cauquil, Colom i Naval, Dover, Fabra Vallés (for Costa Neves), Färm, Garriga Polledo, Gill, Guy-Quint, Haug, Iivari (for Kuckelkorn), Jensen, McCartin, Mulder, Naranjo, Pittella, Pronk (for Elles), Rühle, Seppänen (for Wurtz), Souladakis (for Martin), Vidal Quadras Roca, Virrankoski, Walter.

The opinion of the Committee on Agriculture and Rural Development is attached. The Committee on Economic and Monetary Affairs, the Committee on Industry, External Trade, Research and Energy and the Committee on Budgetary Control decided not to deliver an opinion.

The report was tabled on 11 November 1999.

The deadline for tabling amendments is noon on Thursday 11 November 1999 .

## LEGISLATIVE PROPOSAL

### Proposal for a Council regulation on budgetary discipline (COM(1999) 364 – C5-0141/1999 – 1999/0151(CNS))

The proposal is amended as follows:

Text proposed by the Commission <sup>1</sup>	Amendments by Parliament
(Amendment 1) Title of the act	
Proposal for a Council regulation on budgetary discipline	Proposal for a Council <u>decision</u> on budgetary discipline

#### *Justification:*

*The Commission chooses the same legal bases as for the previous decision – Articles 37, 279 and 308 of the EC Treaty (former Articles 43, 209 and 235). In the absence of legislative codecision for these matters, it is the Council which alone decides. Just like the Financial Regulation itself, the Parliament has always objected to budgetary matters – which have been subject to codecision since 1975 – being regulated by legislation adopted by the Council alone, without being subject to codecision with the Parliament. In the case of the legislation on budgetary discipline, this has not been so controversial, since the main content of the legislation is concerned with CAP spending (compulsory expenditure (CE) ) and is therefore directed at the Member States.*

*Now the Commission proposes to change the legal form of the act according to Article 249 from a ‘decision’ to a ‘regulation’. A ‘decision’ suited the subject matter of the act, since it concerned mainly the Member States, and was addressed to them. Now, without the subject matter of the act having changed substantially, the Commission proposes to change the form of the act to a regulation, which is binding in its entirety and applicable to every person in the Union, including the institutions.*

*Most of the content of the proposed act will still concerns the Member States, but it also introduces new obligations and procedures which bind the Council. So it could be that the Commission’s intentions are laudable and it merely wants to ensure that the Council will also be bound, as an institution, by the regulation. However, if it is a regulation, it will also be binding on the Parliament, and will introduce additional grounds on which acts of Parliament – the annual budget and related decisions – can be challenged before the Court of Justice.*

*The content of act concerns budgetary discipline. It may be permissible to regulate such a subject matter by means of an inter-institutional agreement, which is adopted by codecision. But the Parliament cannot permit binding rules on such matters to be decided by the Council*

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<sup>1</sup> OJ C not yet published .

*acting alone. Such matters are decided as far as Parliament is concerned either by the Treaty, which guarantees Parliament's budgetary powers, or by the inter-institutional agreement, which is adopted by codecision and which Parliament can denounce if necessary.*

(Amendment 2)

Recital (1)

Whereas, at its meeting in Berlin on 24 and 25 March 1999, the European Council decided to retain and strengthen the budgetary discipline introduced by Decision 94/729/EC and confirmed that all Community expenditure should be subject to the principles of sound public finance and budgetary discipline;

Whereas, at its meeting in Berlin on 24 and 25 March 1999, the European Council proposed to retain and strengthen the budgetary discipline introduced by Decision 94/729/EC; whereas, moreover, the European Council suggested that the Union's expenditure must respect both the imperative of budgetary discipline and efficient expenditure, and the need to ensure that the Union has sufficient resources at its disposal to ensure the orderly development of its policies for the benefit of its citizens and to cope effectively with the process of enlargement;

*Justification:*

*This amendment takes into account the fact that it is not the European Council which takes legally binding decisions on these matters, but the European Parliament and the Council, with regard to the Inter-institutional Agreement, and the Council, with regard to this decision and the financial regulation. The Council might consider itself bound by the European Council's conclusions when it comes to adopt these acts, but this cannot be considered to be the case, at least in legal terms, for the European Parliament, and if codecision were to apply to this decision this wording would be considered more suitable.*

(Amendment 3)

Recital (5)

Whereas, on the basis of the European Council's conclusions, the institutions also agreed to maintain unchanged the reference framework and the rate of increase of the agricultural guideline and to extend the guideline to all expenditure under the reformed common agricultural policy, to the new rural development measures, to veterinary and plant-health measures, to expenditure connected with the agricultural pre-accession instrument and to the amounts available for accession relating to agriculture;

Whereas the institutions also agreed to maintain unchanged the reference framework and the rate of increase of the agricultural guideline and to extend the guideline to all expenditure under the reformed common agricultural policy, to the new rural development measures, to veterinary and plant-health measures and to expenditure connected with the agricultural pre-accession instrument;

*Justification:*

*As in the conclusions of the Berlin European Council ('Table A'), the IIA includes, in Annex I, the financial perspective for 2000 – 2006, which forms an integral part of the agreement (paragraph 8). 'Table B' proposed in Berlin is included in Annex II of the IIA only as an 'indicative' financial framework and it is clearly stated in paragraph 25 that, in the case of enlargement, the financial perspective will be adjusted. In other words, the amounts included under 'Heading 8' of Annex II as being available for enlargement, including an amount for agricultural expenditure, are purely indicative. The amount indicated for agriculture under Heading 8 does not form part of the financial perspective for the period 2000 - 2006 and therefore cannot be included as part of the current agricultural guideline. This change to the recital reflects the amendment to Article 4.*

(Amendment 4)

Recital (9)

Whereas, as a result, savings may have to be made; whereas, in the absence of a decision by the Council, acting on a proposal from the Commission, measures could be taken during a special Council meeting held as part of the budget discussions before 15 September;

Whereas, as a result, measures may have to be taken to enable the ceilings on expenditure to be complied with for which the Commission should submit appropriate proposals; whereas the two arms of the budgetary authority should try to reach agreement on these measures during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides;

(Amendment 5)

Recital (10)

Whereas urgent measures must be taken to safeguard the Union's financial interests; whereas, as a result, the Commission's management powers must be increased;

Deleted

*Justification:*

*The reference to safeguarding the Union's financial interests is better suited to Recital 16 where it has been added by means of Amendment 10.*



(Amendment 6)

Recital (11)

Whereas, with regard to this objective, it is essential that consideration be given to proposing appropriate measures in the medium term;

Whereas, according to the Inter – institutional Agreement, the financial perspective is intended to ensure that, in the medium term, Community expenditure, broken down by broad category, develops in an orderly manner and within the limits of the own resources assigned to the Community; whereas it is essential that consideration be given to proposing any measures in the medium term that may be necessary;

*Justification*

*Since it is proposed to delete the previous Recital, Recital 10, this amendment seeks to justify the need to consider proposals for the necessary measures in the medium term. Reference is made to the Interinstitutional Agreement, and the objective of the financial perspective is recalled, which is ensure the orderly development of spending in the medium term.*

(Amendment 7)

Recital (12)

Whereas savings may have to be made in the very short term to achieve the objective of ensuring compliance with the ceilings laid down for heading 1; whereas the parties interested should be informed of this aspect so that they can adjust their expectations accordingly; whereas, in taking these measures, the need for legal security must be taken into account as far as possible;

Whereas measures which are taken in order to make savings should not place in doubt the principles on which the CAP is based; whereas the reform of the CAP should facilitate the stabilisation of agricultural expenditure;

*Justification:*

*Savings measures should not be an end in themselves and should not be allowed to undermine the principles of the CAP. The essential and viable stabilisation of agricultural expenditure will be achieved through a reform of the CAP.*

(Amendment 8)

Recital (12a) (new)

Whereas any measures which may prove necessary in relation to agricultural expenditure should be taken in such a way that the respective powers of the institutions in budgetary matters, as defined in the Treaties, are respected;

*Justification:*

The decision-taking procedure to be adopted in respect of the measures to be taken must be in line with the provisions of the Interinstitutional Agreement which does not affect the respective budgetary powers of the individual institutions as defined in the Treaties.

(Amendment 9)

Recital (12 b) (new)

Whereas the Interinstitutional Agreement offers the Commission the possibility of proposing a revision of the financial perspective in the event of unforeseen circumstances; whereas in that case, the institutions will first examine the scope for re-allocating expenditure covered by the heading concerned by the revision

*Justification:*

*This amendment seeks to draw attention to the possibility which the Interinstitutional Agreement offers the Commission of proposing a revision of the financial perspective. See also Amendments 17 with regard to Article 5(5), 19 with regard to Article 5(7), 22 with regard to Article 6(6) and 23 (new Article 6a).*

(Amendment 10)

Recital (16)

Whereas provision should be made for the possibility of reducing or temporarily suspending the monthly advances when the information communicated by the Member States does not enable the Commission to confirm that the Community rules applicable have been observed or indicates a clear misuse of Community funds;

Whereas in order to protect the financial interests of the Union precautionary measures may need to be adopted; whereas, consequently, provision should be made for the possibility of reducing or temporarily suspending the monthly advances when the information communicated by the Member States does not enable the Commission to confirm that the Community rules applicable have been observed or indicates a clear misuse of Community funds; whereas for reasons of transparency, the Commission should submit a report every year to the budgetary authority concerning any cases in which it has reduced or suspended the monthly advances referred to above;

*Justification:*

*See Amendment 4 in respect of the first part of this amendment. Since it is the financial interests of the Union that are at risk, it would be useful if the Commission were to submit a report every year concerning any cases in which it has had to reduce or suspend monthly advances (second part of the amendment).*

(Amendment 11)  
Recital (20)

Whereas, for reasons of clarity, Decision 94/729/EC should be repealed and replaced by this Regulation,

Whereas, for reasons of clarity, Decision 94/729/EC should be repealed and replaced by this Decision,

*Justification:*

*Same justification as Amendment 1. This change to the recital reflects amendments to the title and to Articles 1 and 30.*

*(Amendment 12)*

Article 1

Budgetary discipline shall apply to all expenditure. Such discipline shall be applied, as appropriate, by the Financial Regulation, this Regulation and the Inter-institutional Agreement of 6 May 1999.

Budgetary discipline shall apply to all expenditure covered by Annex I to the Interinstitutional Agreement ('Financial perspective (EU-15)'. Such discipline shall be applied, in accordance with the Treaty, by the Financial Regulation, this Decision and the Inter-institutional Agreement of 6 May 1999.

*Justification:*

*Same justification as Amendment 1, as regards the proposed change in the legal form of the act.*

*Moreover, it is appropriate to recall here the overriding requirement that all budgetary legislation – whether 'hard law' or 'soft law' – must first comply with the Treaty. No legislation on budgetary discipline can infringe on the prerogatives guaranteed to the Parliament by the Treaty and in particular by Article 272.*

*(Amendment 13)*

Article 4, Paragraph 1

1. The agricultural guideline shall cover expenditure chargeable to Title 1 to 4 of Sub-section B1 of the budget in the nomenclature adopted for the 2000 budget, the expenditure connected with the agricultural pre-accession instrument under heading 7 of the financial perspective and the amounts relating to agriculture which are available for accession under the financial perspective.

1. The agricultural guideline shall cover expenditure chargeable to Title 1 to 4 of Sub-section B1 of the budget in the nomenclature adopted for the 2000 budget and the expenditure connected with the agricultural pre-accession instrument under heading 7 of the financial perspective.

*Justification:*

*Same justification as Amendment 3.*



(Amendment 14)  
Article 5, Paragraph 1

1. All the legislative measures proposed by the Commission or adopted by the Council or the Commission under the common agricultural policy shall comply with the amounts laid down in the financial perspective under the sub-heading for expenditure on the CAP ('sub-heading 1a') and under the sub-heading for rural development and accompanying measures ('sub-heading 1b').

1. The Commission shall not make any proposal for a Community act, or alter its proposals, or adopt any implementing measure, which does not comply with the amounts laid down in the financial perspective under the sub-heading for expenditure on the CAP ('sub-heading 1a') and under the sub-heading for rural development and accompanying measures ('sub-heading 1b'), whichever is applicable. All such proposals and measures adopted by the Council shall comply with the amounts laid down in the same sub-headings, whichever is applicable.

*Justification:*

*The wording here can be considerably strengthened. There can be no objection to using the same formulation as Article 270 of the Treaty (ex Article 201a) as far as the Commission is concerned. Respect for the ceiling on agricultural expenditure should be as imperative an obligation for the Commission as respect for the own resources ceiling. The Parliament welcomes the proposal to create an obligation on the Council and Parliament (where appropriate) not to adopt measures or acts the financial consequence of which is to exceed the ceilings on agricultural expenditure. And neither the Commission nor the Council should be able to exceed the ceiling in sub-heading 1a by off-loading excess expenditure onto sub-heading 1b. Measures relating to sub-heading 1a must respect that ceiling and vice-versa.*

*This amendment is related to the amendments changing the legal form of the legislation back to a decision which should apply to the Commission and the Member States: i.e. the rule contained in this article should be binding.*

(Amendment 15)  
Article 5, Paragraph 2

2. The Commission shall examine the medium-term budget situation when the preliminary draft budget is established for a given year. If it appears that there is a risk of sub-headings 1a and 1b of the financial perspective being exceeded for that year and the following financial year, the Commission shall propose appropriate measures to the Council to ensure that these amounts are respected.

2. The Commission shall examine the medium-term budget situation when the preliminary draft budget is established for a given year. If it appears that there is a risk of sub-headings 1a and/or 1b of the financial perspective being exceeded for that year and the following financial year, the Commission shall propose appropriate measures to the budgetary authority to ensure that these amounts are respected.

*Justification:*

*Same justification as Amendment 14 (in part). It suffices for there to be a risk that one of the sub-headings being exceeded, not both together. The obligation on the Commission and the Member States is that each of the sub-headings 1a and 1b is respected separately.*

(Amendment 16)  
Article 5, Paragraph 4

4.If, when the preliminary draft budget is established, it appears that the appropriations required for the financial year in question exceed the amounts referred to in paragraph 3, the Commission shall take appropriate measures to remedy the situation under the management powers at its disposal. If this is not possible, or if the measures taken prove insufficient, the Commission shall propose other measures, where applicable as part of the prices package and related measures, to ensure that these amounts are observed. The Council shall take a decision on these measures by 1 July of the year preceding the financial year covered by the preliminary draft budget in question.

4. If, when the preliminary draft budget is established, it appears that the appropriations required for the financial year in question exceed the amounts referred to in paragraph 3, the Commission shall take appropriate measures to remedy the situation using the management powers at its disposal under the provisions of Treaty and of the relevant regulations. The Commission shall inform both arms of the budgetary authority of the measures taken. If this is not possible, or if the measures taken prove insufficient, the Commission shall propose other measures, where applicable as part of the prices package and related measures, to ensure that these amounts are observed, and the institutions shall use the procedures foreseen in the Inter-institutional Agreement to reach an agreement on the budgetary implications of the measures proposed. The Council shall take a decision on these measures by 1 July of the year preceding the financial year covered by the preliminary draft budget in question.

*Justification:*

*The Commission assumes that the Council decision will respect the amounts laid down in the financial perspective. Whatever the effect of the Council's decisions at this stage, the budgetary implications merit discussion between the institutions in order to agree as early on in the budgetary procedure as possible.*

(Amendment 17)  
Article 5, Paragraph 5

5. In the absence of a Council decision before the deadline referred to in paragraph 4, or if the Commission considers that the outcome of the Council's discussions on these proposals is likely to exceed the costs put forward in its original proposals, the Council shall take a decision on the measures required at a special meeting held as part of its budget discussions before 15 September of the year preceding the financial year covered by the preliminary draft budget in question.

5. In the absence of a agreement between the two arms of the budgetary authority, or if the Commission considers that the outcome of the budgetary authority's discussions on these proposals is likely to exceed the costs put forward in its original proposals, the Council shall take a decision on the measures required at a special meeting held as part of its budget discussions before 15 September of the year preceding the financial year covered by the preliminary draft budget in question. The institutions shall make every effort to secure an agreement on the measures to be taken on the basis of the procedures foreseen in the Inter-institutional Agreement. In particular, if there is a risk of the amounts referred to in paragraph 3 of this article being exceeded, the rules for the revision of the financial perspective shall apply.

*Justification:*

*While it is a useful innovation to oblige the Council to decide on these measures by 15 September, the procedures laid down in this Decision cannot supersede those foreseen in the Inter-Institutional Agreement, in particular in Paragraphs 19 to 21. If there are 'unforeseen circumstances' affecting the agricultural markets and obliging the amounts referred to in paragraph 3 to be exceeded, then these amounts can only be revised by a joint decision of the Parliament and Council. Since the procedure has been agreed, there should be no hesitation about using it and that is why the possibility of revision should be explicitly mentioned at this point of the procedure.*

(Amendment 18)  
Article 5, Paragraph 6

6. The European Parliament is invited to deliver its opinion within six weeks of receiving any Commission proposal to ensure compliance with the amounts referred to in paragraph 3.

6. The European Parliament is invited to take a decision within six weeks of receiving any Commission proposal to ensure compliance with the amounts referred to in paragraph 3.

(Amendment 19)  
Article 5, Paragraph 7

7. If, on establishment of the letter of amendment to the preliminary draft budget for a given year, it appears that the amount fixed for sub-heading 1a cannot be respected, the Commission shall, as a precautionary measure, reduce the amount for re-imbursement of direct aid to farmers for the financial year covered by the letter of amendment. If a positive margin emerges during implementation of the budget for that financial year or the following year, the amount of reimbursement of direct aid shall be adjusted accordingly. The Commission shall take the measures which are necessary as a result of this adjustment, in particular proposals for transfers. At all events, the financial costs undertaken by the Member States shall be re-paid from the Community budget by, as a priority and entirely during the financial year following the year covered by the letter of amendment.

7. If, on establishment of the letter of amendment to the preliminary draft budget for a given year, it appears that the amount fixed for sub-heading 1a cannot be respected and if it also appears that the amount cannot be revised according to the procedures foreseen in the Inter-Institutional Agreement, the Commission shall, as a precautionary measure, reduce the amount for re-imbursement of direct aid to farmers for the financial year covered by the letter of amendment. If a positive margin emerges during implementation of the budget for that financial year or the following year, the amount of reimbursement of direct aid shall be adjusted accordingly. The Commission shall take the measures which are necessary as a result of this adjustment, in particular proposals for transfers. At all events, the financial costs undertaken by the Member States may be re-paid from the Community budget within the limit of the appropriations available during the financial year following the year covered by the letter of amendment.

*Justification:*

*The Commission can use its powers to reduce the amount for reimbursement to farmers only if no measures have been taken to ensure compliance with the ceiling and only if a revision of the Financial Perspectives has not been agreed.*

(Amendment 20)

Article 5, paragraph 8

8. For the implementation of this article, the support measures and institutional prices provided for under the common agricultural policy shall apply without prejudice to the adoption, whenever appropriate, of measures to ensure compliance with the amounts referred to in paragraph 3.

8. For the implementation of this article, care shall be taken when adopting the support measures and the institutional prices provided for under the common agricultural policy to ensure compliance with the amounts referred to in paragraph 3.

*Justification:*

*The wording proposed by this amendment is clearer, in the rapporteur's opinion, and emphasises that care will be taken, when adopting the support measures to ensure that they are in line with the ceilings referred to in paragraph 3.*

Article 6, Paragraph 5

5. If it concludes from the examination that there is a risk of the appropriations for sub-heading 1a being exceeded at the end of the year, the Commission shall take action to remedy the situation under the management powers at its disposal. If these measures prove to be insufficient, the Commission shall evaluate the impact of the measures to be proposed to the Council with respect to both the savings which they are likely to produce and the time required for them to have their first economic and budgetary effects. The budgetary authority shall be informed of this evaluation. If effective measures are found to control expenditure, the Commission shall propose them to the Council. The European Parliament is invited to deliver its opinion within six weeks and the Council shall act within two months of receiving the Commission's proposal in order to bring expenditure back into line with the allocation provided.

5. If it concludes from the examination that there is a risk of the appropriations for sub-heading 1a being exceeded at the end of the year, the Commission shall take action to remedy the situation under the management powers at its disposal. The Commission shall inform the budgetary authority of the measures taken. If these measures prove to be insufficient, the Commission shall evaluate the impact of the measures to be proposed to the budgetary authority with respect to both the savings which they are likely to produce and the time required for them to have their first economic and budgetary effects. The budgetary authority shall be informed of this evaluation. If effective measures are found to control expenditure, the institutions shall use the procedures foreseen in the Inter-institutional Agreement to reach an agreement on the budgetary implications of the necessary measures and the Commission shall propose them to the budgetary authority. The two arms of the budgetary authority shall try to reach agreement on these measures during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides.

*Justification:*

*Same justification as Amendments 16 and 17. Whatever the effect of the Council's decisions at this stage, the budgetary implications merit discussion between the institutions in order to evaluate their impact on the implementation of the current year's budget and on the preparation of the following year's budget so that agreement can be reached as early on in the budgetary procedure as possible*



(Amendment 22)  
Article 6, Paragraph 6

6. If it proves impossible to remedy the situation before the end of the budget year or if the Council does not take a decision within the time limit laid down, the Commission shall, as a precaution, suspend the payment of the monthly advances made to the Member States under the EAGGF Guarantee Section. This suspension shall be in proportion to the total overrun for the subheading concerned. The amounts suspended shall be charged as a priority and entirely to the budget for the following year.

6. If it proves impossible to remedy the situation before the end of the budget year or to complete the procedure for the revision of the Financial Perspective, or if the Council does not take a decision within the time limit laid down, the Commission shall, as a precaution, suspend the payment of the monthly advances made to the Member States under the EAGGF Guarantee Section. This suspension shall be in proportion to the total overrun for the subheading concerned. The amounts suspended may be charged to the budget for the following year within the limit of the appropriations available.

*Justification :*

*The Commission can use its power to suspend the monthly advances to Member States only if no measure has been taken to remedy the situation and only if a revision of the Financial Perspectives could not be agreed.*

(Amendment 23)

Article 6a (new)

If at any point in the procedures laid down in Articles 5 or 6 there should appear a risk that the amounts fixed for sub-heading 1a or for sub-heading 1b of the financial perspective were to be exceeded, despite the possible measures to be taken, the Commission may avail of the possibility offered by the Inter-Institutional Agreement to propose an appropriate revision of the financial perspective.

*Justification:*

*As a guarantee that the procedures laid down in the IIA will not be by-passed by the Council acting alone, and as a reminder that the revision of the financial perspective can only take place on the proposal of the Commission, a general clause is added stating that the Commission is free to propose a revision if it thinks the ceilings are not going to be respected.*

(Amendment 24)

Article 6b (new)

The Commission may propose to the Council and to the European Parliament the necessary measures to allow the transfer of resources in Chapters B1-1 to B1-3 and B1-4 which are not utilised in one budgetary year to the following budgetary year in order to ease the burden on the budget in the following year. Unused resources entered in Chapters B1-1 to B1-3 and B1-4 may thereby be transferred to the following year and shall not be returned to the Member States.

The Commission may make use of this power when drawing up the preliminary draft budget.

*Justification:*

*It would be advisable to make provision for resources in Chapter B1 which have not been utilised to be transferred to the following year, with the consequent saving when the following preliminary draft budget is drawn up by the Commission, instead of returning those resources to the Member States. The Agriculture Committee advocated such action in the conclusions contained in its opinion on the draft budget for the year 2000.*

*The agricultural guideline is a ceiling imposed on 'compulsory' expenditure for political reasons. The decisions taken at the Berlin summit resulted in an additional political limit being set at a far lower level. The (laudable) decisions on reconstruction in the Balkans similarly required a further 1% reduction in 'compulsory' expenditure. This exerts considerable pressure on the agricultural sector to save, even in the case of payments required by law. On the other hand, unused resources should not be returned to the Member States; any margins there may be cannot therefore be used to ease the burden on Chapters B1-1 to B1-3 and B1-4.*

*Parliament has no access to any such financial margins. This inconsistent approach to 'compulsory' resources is unacceptable.*

(Amendment 25)

Article 8

EUR 500 million shall be entered in a reserve in the general budget of the European Communities, as a provision to cover the developments caused by movements in the euro/dollar market rate in relation to the rate used in the budget referred to in Article 10.

EUR 500 million shall be entered in a reserve in the general budget of the European Communities, as a provision to cover the developments caused by movements in the euro/dollar market rate in relation to the rate used in the budget referred to in Article 10 as well as by unforeseen development in the agricultural markets.

*Justification:*

*This is a long-standing demand of the European Parliament and this amendment corresponds to an amendment proposed in the report by Mrs HAUG on the own resources decision. It also corresponds to decisions taken in recent budgets. The creation of such a reserve would allow more accurate forecasts of agricultural expenditure under the Guarantee section of the EAGGF.*

(Amendment 26)

Article 9

By no later than the end of October each year, the Commission shall report to the budgetary authority on the impact of movements in the average euro / dollar rate on expenditure under Titles 1 to 3 (heading 1).

By no later than the end of October each year, and before it presents a letter of amendment to the preliminary draft budget, the Commission shall report to the budgetary authority on the impact of movements in the average euro / dollar rate on expenditure under Titles 1 to 3 of sub-section B1 of the budget (heading 1 of the financial perspective).

*Justification:*

*This amendment makes it clear that the budgetary authority needs this information before the Commission presents the letter of amendment to update the estimates of agricultural expenditure contained in the PDB, otherwise it will not be able to take the necessary decisions in full knowledge of the facts.*

(Amendment 27)

Article 13, paragraph 3a (new)

(3a)The Commission shall present an annual report to the budgetary authority on the application of this article during the previous financial year.

*Justification:*

*For reasons of transparency, it would be useful to have an annual report on the application of this article.*

(Amendment 28)

Article 18

No act adopted under the codecision procedure by the European Parliament and the Council nor any act adopted by the Council which involves exceeding the appropriations available in the budget or the allocations available in the financial perspective may be implemented in financial terms until the budget has been amended and, if necessary, the financial perspective has been appropriately revised in accordance with the relevant procedure for each of these cases.

The financial implementation of any act of the European Parliament and the Council or of any act of the Council which involves exceeding the appropriations available in the budget or the allocations available in the financial perspective may not take place until the budget has been amended and, if necessary, the financial perspective has been appropriately revised in accordance with the relevant procedure for each of these cases.

*Justification:*

*The wording proposed in the amendment is closer to the wording of the existing Decision, which is preferable to that proposed by the Commission.*

(Amendment 29)  
Article 18a (new)

Any act amending or replacing this Decision shall only be adopted after recourse to the conciliation procedure referred to in the Inter-Institutional Agreement and after that procedure has resulted in an agreement between the Parliament and Council on the amendments to be made.

*Justification:*

*This amendment is designed to ensure that any future Decision on budgetary discipline does not infringe the budgetary powers of the Parliament by introducing the principle of codecision for future changes to the Decision or for any future replacement of the Decision. It is modelled on a similar provision in the Financial Regulation (Article 140) and so it only brings the Decision on budgetary discipline into line with existing practice.*

(Amendment 30)

Article 29

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Communities.

This Decision is addressed to the Member States and to the Commission.

It shall apply from ...

This Regulation shall be binding in its entirety and directly applicable in all Member States.

*Justification:*

*Same justification as Amendment 1, as regards the proposed change in the legal form of the act.*

*Moreover, it is appropriate also to address the decision to the Commission. Without turning the form of the act into a regulation, this could achieve much the same effect, by placing the onus on the Commission that the procedures laid down in the act are followed by the Council and the Member States. Having this legal obligation will strengthen the Commission's hand in the negotiations about implementing budgetary discipline and encourage it to take a firmer line. That the procedures on budgetary discipline have not worked in the past is not just the fault of overly-powerful or obstinate Member States; it is also at least partly the fault of a too-weak Commission.*



## **DRAFT LEGISLATIVE RESOLUTION**

### **European Parliament legislative resolution on the proposal for a Council regulation on budgetary discipline (COM(1999) 364 – C5-0141/1999 – 1999/0151(CNS))**

#### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(1999) 364<sup>1</sup>),
  - having been consulted by the Council pursuant to Articles 37, 279 and 308 of the EC Treaty(C5-0141/1999),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets and the opinion of the Committee on Agriculture and Rural Development (A5-0055/1999),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls for the conciliation procedure to be initiated should the Council intend to depart from the text approved by Parliament;
  4. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
  5. Instructs its President to forward its position to the Council and Commission.

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<sup>1</sup> OJ C not yet published.

## EXPLANATORY STATEMENT

### *I. Introduction*

1. The purpose of the proposal for a Council regulation under review is to amend and simplify certain provisions of Council Decision 94/729/EC of 31 October 1994 regarding budgetary discipline which are currently in force. These provisions need to be amended in the light of the decisions of the European Council meeting in Berlin (March 1999) and the provisions of the new Interinstitutional Agreement (May 1999). However, this proposal does not restrict itself merely to making necessary adjustments; rather, drawing on experience in implementing the current decision, the Commission has sought to broaden its scope and introduce arrangements which mark a new approach to budgetary discipline and entail an increase in the Commission's management responsibilities. The Commission proposes that the arrangements in question be adopted by a regulation rather than by a decision.

### *II. Scope*

2. Budgetary discipline is applied by three instruments: the Financial Regulation which contains the basic financial provisions; the Interinstitutional Agreement which assumes that budgetary discipline is comprehensive in nature and applies to all expenditure and is binding for all the institutions involved in the implementation thereof (for the entire duration of its validity); and the present proposal which mainly concerns heading 1 of the financial perspective (CAP expenditure – obligatory compulsory expenditure and rural development and accompanying measures – non compulsory expenditure. The existence of these three instruments means that the provisions must be simplified and clarified on the one hand in order to ensure the effective implementation of Community legislation and on the other to avoid inconsistencies and any encroachment on the responsibilities of the various institutions regarding the budget, as laid down in the Treaties.
3. Essentially the proposal seeks to broaden the scope of the agricultural guideline: its scope has been extended to incorporate rural development measures, veterinary and plant-health measures, the agricultural pre-accession instrument funded under heading 7 and the part of the amount 'available for accession' relating to agriculture in respect of the applicant countries. It should however be pointed out that the Commission considers that this definition of the agricultural guideline is based on the conclusions of the

European Council meeting in Berlin. It should however be pointed out that the wording of the conclusions in question is unclear and that the Interinstitutional Agreement provides in Article 10 that the agricultural guideline shall remain unchanged. Your rapporteur, taking the view that the concept of budgetary discipline applies to all budgetary expenditure and also in the interests of transparency so as to give a clearer picture and to allow more effective management of all the expenditure intended for the agricultural sector, agrees with the idea that agricultural development measures and accompanying measures should constitute a separate subheading of heading 1 with the same ceiling for appropriations. However, he notes that this constitutes non-compulsory spending (see Annex IV of the Interinstitutional Agreements) and that this characteristic should therefore be reflected in the mechanisms for ensuring that the ceiling is respected. The management of this expenditure must differ from the management of subheading 1a (CAP expenditure) and be more similar if not identical to management of structural expenditure and should not call into question the powers of the European Parliament. As multiannual spending, it should be managed with flexibility, and be carried over from year to year within the framework of the financial provisions, with flexibility between subheadings and normally between Member States being excluded. As regards the share of available appropriations intended for the agricultural sector of the applicant countries, your rapporteur takes the view that these are indicative appropriations and that they should not be included in the agricultural guideline.

### **III. A new approach to budgetary discipline**

4. Beyond extending the scope of the agricultural guideline, the basic innovation provided by the proposal is that it reinforces the mechanisms for ensuring compliance with heading 1 spending limits. These mechanisms act at more than one stage, beginning with the stage when the budget is drawn up. Particular emphasis is thus given to the preventive nature of the measures in question. In particular:

(a) The Commission deeming that it is not essential to present the calculation of the agricultural guideline in submitting its annual proposals setting agricultural prices, proposes that the agricultural guideline should be determined when presenting the preliminary draft budget (Article 2). Henceforth price packages will have to respect the ceiling subheading 1a.

- (b) *If, when the preliminary draft budget is drawn up, it appears that the appropriations required for the financial year in question exceed the amounts referred to in the guideline, the Commission shall take appropriate measures to remedy the situation under the management powers at its disposal. If this is not possible, or if the measures, taken prove insufficient, the Commission shall propose other measures via the Council (Article 5(4) to (6)).* The European Parliament is also involved: it is merely invited to deliver its opinion, despite the fact that these measures concern non-compulsory expenditure

(subheading 1b). The adoption of these measures by the Council may affect the legitimate expectations of producers. In order to secure an agreement on the measures to be taken, recourse should be made to the provisions of the Interinstitutional Agreement which, as stated above, constitutes one of the instruments for implementing budgetary discipline and also for improving the budgetary procedure. Your rapporteur recalls that these measures include the flexibility instrument and the possibility of revising the financial perspectives.

- (c) If, on establishment of the letter of amendment to the preliminary draft budget for a given year, it appears that the amount fixed for subheading 1a cannot be respected, the Commission shall, as a precautionary measure, reduce the amount for reimbursement of direct aid to farmers for the financial year covered by the letter of amendment. If a positive margin emerges during implementation of the budget for that financial year or the following year, the amount of reimbursement of direct aid shall be adjusted accordingly by transfer of appropriations. At all events, the financial costs undertaken by the Member States shall be repaid from the Community budget, as a priority and entirely during the financial year following the year covered by the letter of amendment at the latest.
- (d) Arrangements similar to those set out in subparagraphs (b) and (c) above are provided in respect of the budget implementation stage (Article 6); however, the Commission shall suspend payments of the monthly advances to the Member States in proportion to the total overrun, and the amount is charged to the budget for the following financial year.

#### **IV. Increase in the powers of the Commission**

- 5. The Commission's ability to reduce the amount of direct aid or to suspend payment of the monthly advances constitutes an increase in its powers. Consequently, even if this appears formally at least to be merely a management matter, since provision is made that the reduced or suspended amounts shall be charged as a priority to the Community budget at the latest during the following financial year, it has potential consequences as regards matters of substance because it will necessarily lead to more stringent measures in subsequent years, and this may undermine the principles of the Common Agricultural Policy. The alternative scenario is that overruns would be transferred from year to year, which is not a healthy or effective form of financial management.
- 6. Bearing this in mind, your rapporteur considers that it would be appropriate to resort to the provisions of the Financial Regulation, and that this would not constitute a violation of the principles of budgetary discipline. The increase in the Commission's powers must not be allowed to take place at the expense of the powers of the other institutions, nor must the exercise of these powers be automatic. Before the

Commission reduces or suspends payment, the possibilities offered by the Interinstitutional Agreement must first be exhausted in each case.

7. The Commission shall only intervene in the last resort where the Council has failed to take effective measures or where these measures have proved ineffective, particularly in view of international price trends. In both cases there is a more basic problem which must be addressed. Automatic recourse – even as a preventive measure – to the reduction or suspension of payments which may have very serious consequences does not constitute financial discipline, but the imperfect implementation of existing legislative provisions and budgetary discipline therefore becomes an end in itself.

## **V. Other provisions**

8. Your rapporteur has one minor objection to make in respect of Article 13, not because he disagrees with its rationale or wording, but because he considers that the Commission should submit an annual report concerning implementation in order to ensure clarity and transparency as regards implementation by the Member States of the relevant provisions governing the management of EAGGF – Guarantee Section spending. As regards the other provisions, your rapporteur has no particular comments to make. He takes the view that they are either the continuation of existing political decisions or do not give rise to any problems and are thus acceptable.

## **VI. Decision or regulation?**

9. There is some justification for replacing the Decision by a proposal for a regulation. The main reason for this change invoked by the Commission is that the rules will be directly binding for citizens, given that the mechanism for enforcing compliance with the spending ceilings is reinforced. Another consequence of having a regulation would be that it would also be binding on the European Parliament; this would be for an unlimited period of time and concern provisions which are either compatible with the Interinstitutional Agreement or go beyond it. It should be borne in mind here that the Interinstitutional Agreement has a limited duration (2000-2006) and is adopted by co-decision. This is another point which the European Parliament should bear in mind. Furthermore, it is unclear to what extent the powers of the European Parliament will be affected and whether an amendment of the Financial Regulation will be required.
10. In case the proposed changes have unforeseen or insufficiently considered

consequences, it would be useful to have the opinion of the European Parliament's Legal Service before we finally adopt our opinion. While your rapporteur would personally have no objection to the adoption of a regulation, he nevertheless considers that it would be prudent to adopt the proposed measures as a decision.

## **OPINION**

(Rule 162 of the Rules of Procedure)

for the Committee on Budgets

on the proposal for a Council regulation on budgetary discipline (COM(1999) 364 – C5-0141/1999) – 1999/0151(CNS)) (report by Mr Averof)

Committee on Agriculture and Rural Development

Draftsman: María Rodríguez Ramos

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## **PROCEDURE**

At its meeting of 1 September 1999 the Committee on Agriculture and Rural Development appointed Mrs Rodríguez Ramos draftsman.

It considered the draft opinion at its meetings of 11 October 1999 and 19 October 1999.

At the last meeting it adopted the following amendments unopposed, with 1 abstention.

The following took part in the vote: Graefe zu Baringdorf, chairman; Rodríguez Ramos, draftsman; Auroi, Bautista Ojeda, Berlato, Campos, Fiori, Garot, Goepel, Hyland (for Souchet), Izquierdo Rojo, Jeggle, Jové Peres, Keppelhoff-Wiechert, Kindermann, Korakas (for Koulourianos), Mayer, Mulder (for Pesälä), Procacci, Schierhuber and Theorin.

## **GENERAL COMMENTS**

The Berlin European Council laid down the principle that agricultural spending was to be stabilised. The Interinstitutional Agreement of May 1999 and the new financial perspective for the period 2000-2006 set the ceilings for agricultural spending and lay down rules for implementing budgetary discipline and improving the annual budgetary procedure and interinstitutional cooperation on budgetary matters.

The present proposal for a regulation on budgetary discipline is to replace the Council Decision of 31 October 1994 so as to bring its provisions into line with the new Interinstitutional Agreement which is to enter into force on 1 January 2000. The substance of the proposal concerns mechanisms to ensure compliance with ceilings during the budgetary procedure and establishes monitoring measures with respect to the Member States.

The main elements which the Agriculture Committee wishes to highlight and to which it has drafted amendments are:

**1. The new coverage of the agricultural guideline and its future revision**

The new financial perspective set out in Annex I to the new Interinstitutional Agreement establishes the coverage of the guideline, which is to be extended to include expenditure on veterinary and plant-health measures, rural development and accompanying measures (excluding those under Objective 1), and to the agricultural pre-accession instrument under heading 7, as well as expenditure under the CAP.

Nevertheless, in Article 4 of the present proposal for a regulation the Commission also includes in the scope of the guideline the part of heading 8 (enlargement) relating to agriculture. Worse, it makes no reference to the commitment given at the Berlin European Council to revise the guideline before the first enlargement takes place.

The draftsman takes the view that this proposal should adhere to Annex I to the Interinstitutional Agreement, which does not include heading 8. It appears much more logical to review the guideline before the first enlargement on the basis of the actual needs at that time. Otherwise, a series of indicative appropriations (referred to in the second subparagraph of paragraph 25 of the Interinstitutional Agreement) would in effect be blocked as from 2002, with absolutely no measure of certainty as to their adequacy in terms of either the amount or the timetable.

**2. Adequate funding of rural development and accompanying measures**

The mechanisms for financing these measures must tally with their status as multiannual non-compulsory expenditure, in relation to which Parliament has legitimately claimed the right to exercise its margin of manoeuvre. Furthermore, the political resolve that rural development and accompanying measures should in fact constitute the second pillar of the CAP should be put into practice by improving the conditions and level of funding for such measures. With that in mind, and reiterating the recommendation made in the draft opinion on the budget for 2000, it is proposed that it should be possible for unused appropriations under Chapters B1-1, B1-2 and B1-3 to be transferred to B1-4.

**3. Implementation of the principle of flexibility for agricultural expenditure within certain ceilings**



As in the previous section, this point was also addressed in the opinion on the budget for 2000, and, in addition to improving the funding of the second pillar, it would make it possible to respond to disasters or unforeseen situations with the speed and effectiveness which such events often require.

## **CONCLUSIONS**

The Committee on Agriculture and Rural Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

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Text proposed by the Commission

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Amendments by Parliament

(Amendment 1)

Recital 4

<u>(4) Whereas, for reasons of simplification, a more recent reference base should be used for determining the agricultural guideline every year, without changing the original rules of calculation;</u>	<u>deleted</u>
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(Amendment 2)

Recital 5

(5) Whereas, on the basis of the European Council's conclusions, the institutions also agreed to maintain unchanged the reference framework and the rate of increase of the agricultural guideline and to extend the guideline to all expenditure under the reformed common agricultural policy, to the new rural development measures, to veterinary and plant-health measures, to expenditure connected with the agricultural pre-accession instrument and to the amounts available for accession relating to agriculture;

(5) Whereas, on the basis of the European Council's conclusions, the institutions also agreed to maintain unchanged the reference framework and the rate of increase of the agricultural guideline and to extend the guideline to all expenditure under the reformed common agricultural policy, to the new rural development measures, to veterinary and plant-health measures and to expenditure connected with the agricultural pre-accession instrument;

(Amendment 3)

Recital 6a (new)

Whereas it should be possible to transfer an amount up to a set level between the subheadings of heading 1 if the redeployment of appropriations within the subheading proves impossible;

(Amendment 4)

Recital 9

(9) Whereas, as a result, savings may have to be made; whereas, in the absence of a decision by the Council, acting on a proposal from the Commission, measures could be taken during a special Council meeting held as part of the budget discussions before 15 September;

(9) Whereas, as a result, measures may have to be taken to enable the ceilings on expenditure to be complied with; for which the Commission should submit appropriate proposals; whereas the two arms of the budgetary authority should try to reach agreement on these measures during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides;

*Justification :*

*Same as amendment 11.*

(Amendment 5)

Recital 12

(12) Whereas savings may have to be made in the very short term to achieve the objective of ensuring compliance with the ceilings laid down for heading 1; whereas the parties interested should be informed of this aspect so that they can adjust their expectations accordingly; whereas, in taking these measures, the need for legal security must be taken into account as far as possible;

(12) Whereas measures may have to be taken in the very short term to achieve the objective of ensuring compliance with the ceilings laid down for heading 1; whereas the parties interested should be informed of this aspect so that they can adjust their expectations accordingly; whereas, in taking these measures, the need for legal security must be taken into account as far as possible;

(Amendment 6)

Recital 13

(13) Whereas expenditure on the accompanying measures and on the new rural development measures is multiannual in nature and is therefore specially monitored;

(13) Whereas expenditure on the accompanying measures and on the new rural development measures is multiannual in nature and is therefore specially monitored, whereas through that special monitoring the Commission shall make its management sufficiently flexible to ensure that financial accounting with regard to the EAGGF Guarantee Section takes account of its multiannual nature;

(Amendment 7)

Article 1

1. Budgetary discipline shall apply to all expenditure. Such discipline shall be applied, as appropriate, by the Financial Regulation, this Regulation and the Interinstitutional Agreement of 6 May 1999.

1. Budgetary discipline shall apply to all expenditure covered by Annex I to the Interinstitutional Agreement ('Financial perspective (EU-15)'). Such discipline shall be applied, as appropriate, by the Financial Regulation, this Regulation and the Interinstitutional Agreement of 6 May 1999.

*Justification:*

*Annex I to the Interinstitutional Agreement of 6 May 1999 contains the financial perspective for the fifteen Member States with the maximum amounts for headings 1 to 7 which form part of the agricultural guideline.*

*Annex II envisages a hypothetical post-enlargement scenario and the amounts listed are 'indicative', as laid down in the second subparagraph of paragraph 25 of the Interinstitutional Agreement.*

(Amendment 8)

Article 3(2), first indent

- |   |   |
|---|---|
| – 74 % of the rate of increase in GNP between <u>1995</u> (base year) and the year in question, | – 74 % of the rate of increase in GNP between <u>1988</u> (base year) and the year in question, |
|---|---|

*Justification:*

*It is not clear why the reference base has to be changed. The present reference base should therefore be retained.*

(Amendment 9)

Article 4(1)

1. The agricultural guideline shall cover expenditure chargeable to Titles 1 to 4 of Subsection B1 of Section III of the budget in the nomenclature adopted for the 2000 budget, the expenditure connected with the agricultural pre-accession instrument under heading 7 of the financial perspective and the amounts relating to agriculture which are available for accession under the financial perspective.

1. The agricultural guideline shall cover expenditure chargeable to Titles 1 to 4 of Subsection B1 of Section III of the budget in the nomenclature adopted for the 2000 budget and the expenditure connected with the agricultural pre-accession instrument under heading 7 of the financial perspective. The agricultural guideline shall be reviewed on the basis of a report which the Commission shall submit to the Council and to the European Parliament before the first enlargement of the Union so that any adjustments necessary can be made.

*Justification:*

*The wording of this paragraph is rather unclear in some language versions. The amendment clarifies the wording of the Commission proposal and defines the scope of the agricultural guideline. It is not considered necessary to include the section of heading 8 entitled Enlargement: amounts available for agriculture, which merely contains indicative hypotheses with respect to the amounts and the timetable. It is therefore preferable to make the necessary adjustments to the guideline before the first enlargement on the basis of the actual needs, as agreed in the conclusions of the Berlin European Council.*

(Amendment 10)

Article 5(2)

2. The Commission shall examine the medium-term budget situation when the preliminary draft budget is established for a given year. If it appears that there is a risk of subheadings 1a and 1b of the financial perspective being exceeded for that year and the following financial year, the Commission shall propose appropriate measures to the Council to ensure that these amounts are respected.

2. The Commission shall examine the medium-term budget situation when the preliminary draft budget is established for a given year. If it appears that there is a risk of subheadings 1a and 1b of the financial perspective being exceeded for that year and the following financial year, the Commission shall propose appropriate measures to the budgetary authority to ensure that these amounts are respected.

*Justification:*

*Parliament should be involved in the decision-making on measures designed to ensure budgetary discipline.*

(Amendment 11)

Article 5(4)

4. If, when the preliminary draft budget is established, it appears that the appropriations required for the financial year in question exceed the amounts referred to in paragraph 3, the Commission shall take appropriate measures to remedy the situation under the management powers at its disposal. If this is not possible, or if the measures taken prove insufficient, the Commission shall propose other measures, where applicable as part of the prices package and related measures, to ensure that these amounts are observed. The Council shall take a decision on these measures by 1 July of the year preceding the financial year covered by the preliminary draft budget in question.

4. If, when the preliminary draft budget is established, it appears that the appropriations required for the financial year in question exceed the amounts referred to in paragraph 3, the Commission shall take appropriate measures to remedy the situation under the management powers at its disposal. The Commission shall inform both arms of the budgetary authority of the measures taken. If this is not possible, or if the measures taken prove insufficient, the Commission shall propose other measures, where applicable as part of the prices package and related measures, to ensure that these amounts are observed. The two arms of the budgetary authority shall try to reach agreement on these measures during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides.

*Justification:*

*The Commission's proposals do not provide for Parliament to be adequately involved in the decision-making on measures designed to ensure budgetary discipline. Some of the expenditure in heading 1 is, after all, non-compulsory. Decisions on these measures should therefore be taken during the consultations between the two arms of the budgetary authority for which Annex III to the Interinstitutional Agreement of 6 May 1999 provides.*

(Amendment 12)

Article 5(5)

5. In the absence of a Council decision before the deadline referred to in paragraph 4, or if the Commission considers that the outcome of the Council's discussions on these proposals is likely to exceed the costs put forward in its original proposals, the Council shall take a decision on the measures required at a special meeting held as part of its budget discussions before 15 September of the year preceding the financial year covered by the preliminary draft budget in question.

5. In the absence of agreement between the two arms of the budgetary authority, or if the Commission considers that the outcome of the budgetary authority's discussions on these proposals is likely to exceed the costs put forward in its original proposals, the Council shall take a decision on the measures required at a special meeting held as part of its budget discussions before 15 September of the year preceding the financial year covered by the preliminary draft budget in question.

*Justification:*

*The Commission's proposals do not provide for Parliament to be adequately involved in the decision-making on measures to ensure budgetary discipline. Some of the expenditure in heading 1 is, after all, non-compulsory. Decisions on these measures should therefore be taken in consultations between the two arms of the budgetary authority, as Annex III to the Interinstitutional Agreement of 6 May 1999 provides.*

(Amendment 13)

Article 5(6)

6. The European Parliament is invited to deliver its opinion within six weeks of receiving any Commission proposal to ensure compliance with the amounts referred to in paragraph 3.

deleted

*Justification:*

*It is not enough for Parliament to have the right to deliver an opinion on measures designed to ensure budgetary discipline. Some of the expenditure in heading 1 is, after all, non-compulsory. If Parliament's role is guaranteed by the application of the conciliation procedure as provided for in Annex III to the Interinstitutional Agreement of 6 May 1999, this article can be deleted.*

(Amendment 14)

Article 5(7), first subparagraph a (new)



The Commission shall submit appropriate proposals for preventing a cycle arising from suspended payable amounts, which lead to the suspension of other amounts, which then have to be paid out, resulting in fresh suspensions, etc. The Commission shall also ensure that suspended amounts from year x-1 are not paid out at the expense of actual requirements in year x.

*Justification:*

*The legal security of the parties interested should be ensured when advances are suspended. The payment of suspended amounts in itself must be prevented from resulting in the ceilings being exceeded and thus in the suspension of advances, which then have to be paid the following year. Suspended amounts should not be paid out at the expense of actual requirements in that year.*

Article 6(5)

5. If it concludes from the examination that there is a risk of the appropriations for subheading 1a being exceeded at the end of the year, the Commission shall take action to remedy the situation, using the management powers at its disposal. If these measures prove to be insufficient, the Commission shall evaluate the impact of the measures to be proposed to the Council with respect to both the savings which they are likely to produce and the time required for them to have their first economic and budgetary effects. The budgetary authority shall be informed of this evaluation. If effective measures are found to control expenditure, the Commission shall propose them to the Council. The European Parliament is invited to deliver its opinion within six weeks and the Council shall act within two months of receiving the Commission's proposal in order to bring expenditure back into line with the allocation provided.

5. If it concludes from the examination that there is a risk of the appropriations for subheading 1a being exceeded at the end of the year, the Commission shall take action to remedy the situation, using the management powers at its disposal. The Commission shall inform the budgetary authority of the measures taken. If these measures prove to be insufficient, the Commission shall evaluate the impact of the measures to be proposed to the budgetary authority with respect to both the savings which they are likely to produce and the time required for them to have their first economic and budgetary effects. The budgetary authority shall be informed of this evaluation. If effective measures are found to control expenditure, the Commission shall propose them to the budgetary authority. The two arms of the budgetary authority shall try to reach agreement on these measures during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides.

*Justification:*

*The Commission's proposals do not provide for Parliament to be adequately involved in the decision-making on measures to ensure budgetary discipline. Some of the expenditure in heading 1 is, after all, non-compulsory. Decisions on these measures should therefore be taken during the consultations between the two arms of the budgetary authority for which Annex III to the Interinstitutional Agreement of 6 May 1999 provides.*

Article 6(6)

6. If it proves impossible to remedy the situation before the end of the budget year or if the Council does not take a decision within the time limit laid down, the Commission shall, as a precaution, suspend the payment of the monthly advances made to the Member States under the EAGGF Guarantee Section. This suspension shall be in proportion to the total overrun for the subheading concerned. The amounts suspended shall be charged as a priority and entirely to the budget for the following year.

6. If it proves impossible to remedy the situation before the end of the budget year or if the budgetary authority does not come to an agreement, the Commission shall, as a precaution, suspend the payment of the monthly advances made to the Member States under the EAGGF Guarantee Section, with due regard for legal security requirements and after notifying the parties interested. This suspension shall be in proportion to the total overrun for the subheading concerned. The amounts suspended shall be charged as a priority and entirely to the budget for the following year.

*Justification:*

*Parliament should be involved in the decision-making on measures designed to ensure budgetary discipline. The legal security of the parties interested should be ensured when advances are suspended.*

(Amendment 17)

Article 6a (new)

6a. The Commission may propose to the Council and to the European Parliament the necessary measures to allow the transfer of resources in Chapters B1-1 to B1-3 and B1-4 which are not utilised in one budgetary year to the following budgetary year in order to ease the burden on the budget in the following year. Unused resources entered in Chapters B1-1 to B1-3 and B1-4 may thereby be transferred to the following year and shall not be returned to the Member States.

The Commission may make use of this power when drawing up the preliminary draft budget.

*Justification:*

*It would be advisable to make provision for resources in Chapter B1 which have not been utilised to be transferred to the following year, with the consequent saving when the following preliminary draft budget is drawn up by the Commission, instead of returning those resources to the Member States. The Agriculture Committee advocated such action in the conclusions contained in its opinion on the draft budget for the year 2000.*

The *agricultural* guideline is a ceiling imposed on 'compulsory' expenditure for political reasons. The decisions taken at the Berlin summit resulted in an additional political limit being set at a far lower level. The (laudable) decisions on reconstruction in the Balkans similarly required a further 1% reduction in 'compulsory' expenditure. This exerts considerable pressure on the agricultural sector to save, even in the case of payments required by law. On the other hand, unused resources should not be returned to the Member States; any margins there may be cannot therefore be used to ease the burden on Chapters B1-1 to B1-3 and B1-4.

*Parliament has no access to any such financial margins. This inconsistent approach to 'compulsory' resources is unacceptable.*

(Amendment 18)

Article 6b (new)

6b. The Commission may propose to the Council and to the European Parliament that the flexibility instrument be used so that, within certain ceilings, funds may be transferred from compulsory to non-compulsory CAP expenditure.

*Justification:*

*Greater flexibility between the two agricultural pillars is desirable if rural development and accompanying measures are indeed to form the second pillar of the CAP and not a secondary pillar. The classification of expenditure corresponding to the second pillar as non-compulsory is in keeping with Parliament's legitimate demand that its margin of manoeuvre be increased with regard to the drawing-up and funding of these measures.*

*The Agriculture Committee advocated such action in the conclusions contained in its opinion on the draft budget for the year 2000.*

Article 15a (new)

15a. Each year a reserve shall be entered in the general budget of the European Communities in the form of provisional appropriations for unforeseen circumstances in the agricultural sector. The aim of this reserve is to enable unforeseen and unpredictable setbacks in subheading 1a of heading 1 as defined in Article 5(1) to be cushioned.

The amount of this reserve shall be determined by the budgetary authority each year during the consultations among the institutions for which Annex III to the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provides.

*Justification:*

*For years Parliament has been pressing for a reserve for unforeseen circumstances in the agricultural sector.*