

## European Parliament Decision on the discharge to be granted to the Commission in respect of the 1975 financial year (7 July 1977)

**Caption:** The 1975 Brussels Treaty confers on the European Parliament the sole power to give discharge to the Commission in respect of the implementation of the budget. This decision on the budgetary discharge for the 1975 financial year, dated 7 July 1977, is the final decision that Parliament takes in accordance with its shared powers.

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## Decision of the European Parliament of 7 July 1977 on the discharge to be granted to the Commission in respect of the implementation of the budget of the European Communities for the 1975 financial year and on the report of the Audit Board

THE EUROPEAN PARLIAMENT,

— having regard to the revenue and expenditure accounts and the statements of assets and liabilities of the Communities for the accountancy procedures in respect of the 1975 budget and the accounts of the Euratom Supply Agency (Doc. 523/76),

— having regard to the report of the Audit Board on the accounts for the financial year 1975 and the answers of the institutions to the report (Doc. 523/76),

— having regard to the Council Decision of 25 April 1977 on the granting of a discharge to the Commission (Doc. 97/77),

— having regard to the report of the Committee on Budgets (Doc. 165/77),

1. Notes that expenditure to be met from revenue for the financial year totalled 6 213 608 628,64 u.a.;

2. Notes that appropriations utilized during the year totalled 6 242 846 173,01 u.a., broken down as follows:

Payments: 5 004 669 618,40 u.a.,

Carried forward to the 1976 financial year: 1 238 176 554,61 u.a.;

3. Grants a discharge in respect of the following amounts shown in the accounts for the 1975 financial year:

(a) Revenue (entitlement): 6 213 709 210,10 u.a.,

(b) Expenditure (payments effected during the financial year): 6 411 227 569,24 u.a.,  
broken down as follows:

— payments from appropriations for the 1975 financial year: 5 004 669 618,40 u.a.,

— payments from appropriations brought forward from previous financial years: 1 406 557 950,84 u.a.;

4. Reserves judgment on the management of the European Centre for the Development of Vocational Training;

5. Draws attention to its resolution embodying the comments accompanying the decision granting a discharge and requests the Institutions to report on the measures taken following those comments in accordance with Article 92 of the Financial Regulation.

Done at Luxembourg, 7 July 1977.

*The Secretary-General*  
H. R. NORD

*The President*  
Emilio COLOMBO

**Resolution embodying the comments accompanying the decisions granting a discharge in respect of the implementation of the budget of the European Communities for the 1975 financial year(1)**

THE EUROPEAN PARLIAMENT,

1. Calls on all the institutions to take appropriate action on the comments made by the Audit Board in its report and requests them to give an account of the relevant measures taken pursuant to Article 92, third paragraph of the Financial Regulation;
2. Is of the opinion that the institutions should, pursuant to the second paragraph of Article 90 of the Financial Regulation, forward their replies to the comments contained in its report to the Court of Auditors and proposes that the latter should publish these replies under the relevant chapters of the report;

### **Parliamentary control of the implementation of the budget**

3. Believes that the political responsibility of the Commission finds its clearest expression in the implementation of the budget and that Parliament's budgetary control constitutes the appropriate means for the exercise of this responsibility;

### **Transition from the Audit Board to the Court of Auditors**

4. Draws attention to the fact that, according to the provisions of the Treaty of 22 July 1975, one of the tasks of the Court of Auditors is to assist Parliament in exercising its power of control over the implementation of the budget and to submit to it not only the annual report but also, on request, ad hoc reports on specific questions;
5. Consequently intends — in order to facilitate permanent control and close cooperation with the Court of Auditors — to organize its structure accordingly;
6. Draws attention once more to the need for continuity in external control, which must not be interrupted by the setting up of the Court of Auditors;
7. Calls on the Court of Auditors to examine jointly with Parliament the problems involved in the extension and improvement of external Community control;
8. Takes the view that relations between Community and national external control bodies should be based on the provisions of the Treaty of 22 July 1975 and that the development of these relations could lead to integrated external Community control;

### **Implementation of the 1975 budget**

9. Notes that most Community policies stagnated in the 1975 financial year but welcomes the swift start made by the Regional Fund;
10. Believes that the experience of recent financial years has provided sufficient proof of the fact that the supplementary budgets policy was not only harmful but avoidable;
11. Suggests once more that supplementary budgets should be avoided by making the fullest possible use of techniques which enhance the budget's role as a forecasting instrument, in order to ensure sound budgetary policy while safeguarding complete financial autonomy;
12. Reaffirms that the Commission's responsibility as regards the implementation of the budget requires it to use all the means at its disposal to achieve the political objectives underlying the budget estimate, and expects the Commission to adopt a clear position on this matter;
13. Formally disapproves of the 'open transfer' procedure, which entails a fundamental modification of the budget as adopted by the budgetary authority and enables the Commission to reallocate appropriations without the approval or knowledge of Parliament;

14. Proposes closer cooperation with the other institutions as regards staff policy and the administration of buildings and equipment;

15. Disapproves of the setting up of decentralized institutions in instances where such an administrative structure is not fully justified by the functions to be performed by these institutions and rejects the system of 'operating subsidies' which, without creating autonomy *vis-à-vis* the Commission, precludes any control by the budgetary authority;

### **Management of the funds**

16. Calls on the Commission to put forward concrete proposals for the revision of the current structure of the budget, which is based on a classification by fund, since this structure constitutes an obstacle to the coordination of the Community's various roles and to budgetary transparency, and proposes that its structure should give a clearer picture of the various areas of Community policy;

17. Believes that the Council's interference in the implementation of the budget must be stopped, irrespective of whether such interference occurs directly or through committees;

### **Revenue**

18. Asks the Control sub-Committee to report on the adequacy of the present means of auditing and controlling Community revenue;

19. Also asks the Control sub-Committee to examine the different systems applying Community legislation in the sphere of resources with a view to determining whether they are sufficiently standardized to ensure that there is no risk of trade being diverted from one place to another or of Community revenue being lost because of lack of uniformity in administration;

20. Calls on the Commission to apply macroeconomic ratios in its calculation of estimated own resources and in its checking of receipts patterns;

21. Urges the Audit Board to continue to pay particular attention to the aspect of verification of certificates of origin, invoices and statements of account;

22. Calls on the Commission to establish a system for combating irregularities and for the recovery of funds outstanding similar to that laid down in Regulation (EEC) No 283/72;

### **Operating expenditure**

23. Considers it essential to push ahead with the reorganization of the administrative departments in order to achieve optimal use of staff;

24. Stresses the urgency of adopting the long-overdue revision of the law relating to civil servants;

25. Insists that the currency situation in Europe must not be allowed to lead to unjustified advantages and disadvantages for European officials;

26. Considers it essential for institutions to introduce a medium-term policy on buildings in order to reduce expenditure on buildings and equipment;

27. Calls on the Commission to forward to it systematically in future the special report of the Court of Auditors on the Euratom Supply Agency;

28. Is not able at present to grant a discharge to the Management Board of the European Centre for the Development of Vocational Training and asks the latter to meet the justified demands made by the Audit

Board;

### **Research and investment**

29. Requests the Commission to keep the research and investment part of the budget under constant review so as to (i) simplify presentation and layout and (ii) facilitate effective audit and control;
30. Urges the Commission to use the tendering system <sup>(2)</sup> on the widest possible scale when purchasing or procuring equipment and supplies;
31. Stresses the importance of effecting a rapid cut-back of unproductive lines of research and asks the Commission to keep this factor constantly in mind;
32. Calls on the Council to give effect, in the revision of the Financial Regulation, to the changes in the Articles dealing with the research and investment appropriations which were endorsed by the European Parliament in its resolution of 14 December 1976 <sup>(3)</sup>;
33. Asks the Commission to simplify and standardize the rules on financing of research performed under contract;
34. Believes that the Commission should seek to ensure that, as sought by Parliament, an optimum balance is maintained between operational research costs, and staff expenditure;

### **Social Fund**

35. Takes note of the Commission's efforts during 1976 to ensure the more rapid use of Social Fund appropriations but takes the view that a number of difficulties still existed in 1975 which prevented the implementation of a genuine common social policy, for which in any case insufficient resources were available to solve the serious social problems in the Community.
36. Notes that insufficient cooperation between the Member States was one of the main reasons for the delay in using the resources of the Social Fund;
37. Is of the opinion that the deficiencies observed in respect of 1975 must be eliminated when the Fund is reformed, especially in view of the fact that, despite the efforts of the Commission, they continued to hamper budgetary management in 1976. These deficiencies may be summarized as follows:
- (a) delays in decisions on the financing of projects and on applications for reimbursements of expenditure incurred;
  - (b) the inadequacy of the remedy of granting part-payments higher (up to 85 %) than those provided for in respect of aid from the old Social Fund;
  - (c) the systematic cancellation of substantial appropriations as a result of the slowness of the payments procedure;
  - (d) the dilatoriness of Member States in submitting applications;
  - (e) the infrequency of the meetings of the Social Fund Committee, which must give its opinion on the financing of projects;
  - (f) the fact that the forms used for the submission of applications and the instructions they contain as to the implementation of projects are much too complicated;
  - (g) the excessive complexity of the implementation and audit machinery arising from the application of the

principle of payment on the basis of actual costs;

(h) the adverse effect of the settlement of earlier operations on the promotion of new projects;

(i) finally and most seriously, the disregard for regularity and sound management of Community finances and the requirements of a rigorous auditing procedure reflected in the delays in financing and implementing projects.

### **Regional Fund**

38. Requests the Commission to reconsider its procedures so that they ensure that the different instruments of Community policy are coordinated to enable every possible benefit to be drawn from a global regional policy and budgetary resources to be utilized in the best possible way;

39. Calls on the Commission to ensure that the functioning of the Regional Fund in no way diminishes the role of the Commission in regard to implementation of the general budget of the European Communities;

40. Anxious to safeguard Community resources, calls on the Commission to arrange for national funds released by the granting of Regional Fund appropriations to be treated as supplementary resources for regional development so that the principle of additionality is respected;

41. Considers that the submission of global applications for Regional Fund aid could result in adequate control of Community expenditure and reduce budgetary transparency, and therefore calls on the Commission to give priority whenever possible to applications other than those of a global nature;

42. Aware of the importance of appropriate publicity for aid granted by the Regional Fund, requests that projects receiving aid from the Fund in future be given publicity as soon after they are approved as possible so that the provisions of Article 14 (2) of the basic Regulation can be complied with in full;

43. Calls on the Commission once again to establish direct contacts with local and regional authorities in regions receiving Regional Fund aid in order to ensure close liaison with them;

44. Deplores the fact that the impact of the fund could be weakened as a result of excessive dispersal of aid for projects of minor importance, and requests that in future there should be greater concentration of expenditure on specific regions and projects in order to increase the impact of Community solidarity in this area;

45. Proposes, in order to avoid giving the impression that grants of Regional Fund aid are approved by the Member States themselves rather than by the Community, that recipients be fully informed of the source of the aid they receive;

46. Requests the Commission to analyze the results carefully each year in order to draw the maximum benefit from past experience;

47. Notes that the Commission has introduced a series of procedures for controlling the use of fund resources in order to ensure that the most efficient use is made of Community aid, and requests the Commission to pursue and, if necessary, intensify those procedures;

48. Intends to keep a particularly close check on the management of the Regional Fund in the framework of the report on the discharge in coming years in order to eliminate any irregularities;

### **EAGGF, Guarantee Section**

49. Urges the Council to refrain, in future, from using so wide a range of techniques — carry overs, transfers, supplementary and amending budgets — to assemble appropriations that should properly have

been provided in the initial budget;

50. Asks the Council not to have recourse again to the so-called 'open transfer' mechanism which results in appropriations that have been brought forward being diverted, in a later year, to finance expenditures which are radically different from those for which they were initially authorized by Parliament;

51. Fears that the growing cost of the agri-monetary measures might hamper the evolution of the common agricultural policy, and calls on the Council to press ahead, as a matter of the greatest urgency, with the broad economic and monetary measures needed to bring about a situation in which monetary compensatory amounts will constitute a much-diminished share of the budget;

52. Believes that a strengthening of the position of Parliament in relation to the budgetary decisions in the sphere of the common agricultural policy renders essential the amendments to Articles 107 and 113 of the Financial Regulation which were proposed on 14 December 1976 and asks the Council to give effect to these proposals in the amended version of the Financial Regulation;

53. Noting the rise in the number of frauds and irregularities that have been disclosed, urges the Commission, the Audit Board, Council and Member States to intensify the campaign against these breaches of Community legislation;

54. In particular, urges Member States to reinforce mutual aid measures in the struggle against irregularities, use data processing on a much wider scale, harmonize auditing techniques, and give maximum training and assistance to national officials engaged in this work;

55. Concerned lest the very high level of national aid to agriculture might, in part, run counter to overall Community policy in regard to agriculture and weaken the impact of Community budgetary outlay, calls on the Commission to watch the trend and direction of national aid very carefully, reporting, if necessary, to Parliament on the situation;

56. Also concerned about the effect of technical obstacles to trade which might detract from the effectiveness of the common agricultural policy, asks the Commission to check continually on such potential obstacles and report, if necessary, to Parliament on them;

57. Insists that accounts for past years must be closed within reasonable time limits and that, in future, the provisions of Article 5 (2) (b) of Regulation (EEC) No 729/70 be complied with in a regular manner;

58. Believing that codification of Community legislation relating to the EAGGF would facilitate the work of all concerned with its management, calls on the Commission to make available a loose-leaf binder, to be kept up-to-date by a regular system of amendments, of this legislation;

59. Asks that the tendering system be used as much as possible to ensure that market forces operate as fully as possible in the agricultural sector;

60. Calls on the Audit Board to report, in particular, on the subject of storage with special reference to movements between regions of commodities for storage;

61. Also asks the Audit Board to devote special attention to cooperation between Member States themselves and between Member States and the Commission in the matter of efforts to repress frauds and irregularities.

### **EAGGF, Guidance Section**

62. Deplores the Council's inability to introduce a genuine Community agricultural structures policy; feels in particular that neither existing appropriations nor current Regulations make it possible to envisage the restoration of balance between Community and national projects in this field;



63. Requests the Commission, therefore, to draw up proposals for:

— the introduction of a simpler and more efficient financing system that will provide more of an incentive to Member States and recipients,

— determining the appropriations to be allocated to such projects in keeping with requirements and as part of the budgetary procedure;

64. Requests the Commission and the Council to state the objectives of the Regulations in order to ensure that appropriations are used for those objectives and to make possible greater coordination of those objectives, so that the EAGGF Guidance Section does not become a demagogic system of mutual social aid;

65. Reiterates its disapproval of movements of appropriations that result in appropriations allocated for the improvement of agricultural structures not being used for their intended purpose;

66. Is of the opinion that a considerable increase in the financing of joint schemes forming an integral part of a coherent agricultural structures policy should not necessarily result in the abolition of the system for financing individual projects;

67. Calls on the Commission to consider to what extent the system for financing individual projects that meet a real need can be maintained if its functioning is improved;

68. Feels that those measures financed by the Guidance Section that have a greater effect on the economic situation than on agricultural structures should be considered as coming within the scope of the Guarantee Section;

### **Food aid**

69. Considers that the erratic budgetary management of food aid is clear evidence of the lack of an overall Community policy in this area;

70. Strongly supports the Commission's present efforts to remedy this state of affairs; will oppose any Community food aid measures consisting of the financing of individual projects;

71. Requests the Court of Auditors to report to it on the effectiveness of Community control in this area and on the effectiveness of procedures for the allocation of funds;

### **Development Fund**

72. Emphasizes its intention to exercise to the full the control responsibilities in respect of the EDF assigned to it by the implementing texts of the Convention of Lomé, pointing out that these responsibilities imply the budgetization of the EDF at an early date;

73. Instructs its Control Subcommittee to consider jointly with the parties concerned the conditions necessary for ensuring effective control of the effects of Community financing on the development of the recipient countries.

<sup>(1)</sup> The second paragraph of Article 92 of the Financial Regulation of 25 April 1973: "The institutions shall take all appropriate steps to take action on the comments appearing in the decisions giving discharge".

<sup>(2)</sup> 'Appel d'offre'.

<sup>(3)</sup> OJ No C 6,10. 1. 1977, p. 18.

## **Resolution embodying the opinion of the European Parliament on the granting of a discharge to the Commission of the European Communities in respect of the activities of the first, second and third**



## European Development Funds in 1975

### THE EUROPEAN PARLIAMENT,

— having regard to the report of the Audit Board on the accounts for the financial year 1975 and the institutions' replies to that report (Doc. 523/76),

— having regard to the report of the Committee on Budgets and the opinion of the Committee on Development and Cooperation (Doc. 165/77),

1. Requests the Council to give a discharge to the Commission in respect of the financial management of the first, second and third EDF's during the financial year 1975;
2. Notes the inadequacy of Community control, which fails to allow a precise assessment of the effects of Community financing on the development of the recipient countries, or to provide detailed information on the extent and implications of the shortcomings revealed;
3. Requests the Commission to suspend all decisions on financing from the second EDF and to transfer the unused balances to the third EDF;
4. Calls upon the Commission to prepare the incorporation of the European Agency for Cooperation into the central administrative and budgetary structures of the Community.