

# European Communities

---

## EUROPEAN PARLIAMENT

# Working Documents

1977 - 1978

---

15 April 1977

DOCUMENT 35/77/ANNEX

### OPINIONS

of the Committee on Agriculture  
and the Committee on Budgets

on aspects of the Community's regional policy to be developed in the future

PE 47.788/fin./Ann.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr J. CORRIE

At its meeting of 15/16 March 1977 the Committee on Agriculture appointed Mr CORRIE draftsman.

It adopted the draft opinion at its meeting of 31 March/1 April 1977 with 6 votes in favour and 13 abstentions.

Present: Mr HOUDET, chairman; Mr LABAN and Mr LIGIOS, vice-chairmen; Mr Corrie, draftsman; Mr Albertini, Mr Bourdellès, Mr Brégègère, Mr Espersen (deputizing for Mr Ove Hansen), Mr Frdh, Mr Frankie Hansen, Mr Hoffmann, Mr Howell, Mr Klinker, Mr Kofoed, Mr De Koning, Mr Lückner (deputizing for Mr Ney), Mr Martens, Mr Mitchell and Mr Pucci.

The fact that the Committee on Agriculture considers it desirable to deliver an opinion on future regional policy is indication enough of its conviction that the agricultural policy cannot be reduced to the traditional market and price policy since the basic problems in the agricultural sector can be solved only by means of an effective structural policy and a regional and social policy. In order to avoid distortion of competition, the Common Agricultural Policy must be integrated in the economy as a whole, which means it must be coordinated with other policies. In the process, however, account must be taken of the essential interests of producers and consumers, and the primary aims of the Common Agricultural Policy as such must be respected. The problem here is that, by comparison, other Community policies are at present very incomplete and, in view of this lack of development, it has unfortunately proved impossible to pursue a policy which effectively insulates the agricultural sector against the disastrous effects of inflation and unemployment.

Like the Committee on Regional Policy, Regional Planning and Transport, the Committee on Agriculture notes that there are still considerable disparities between incomes in agriculture and other sectors and between the incomes of farmers in different sectors of agriculture and different regions of the Community. Thus, as already set forth in Article 39 (2a) of the Treaty of Rome, the Common Agricultural Policy must take account of the problems of regional balance, and in particular of structural and natural disparities between the various agricultural regions.

The fact that the three agricultural structural directives of 17 April 1972 have so far had little impact is due in no small part to the inadequacy or complete lack of coordination with a European Regional Development policy. For example, the termination of farming can be regarded as a viable option only if new jobs are created through the regional policy, and it should be noted here that the farmer who stops farming may continue to live in his house, although his land, in accordance with the aims of the common structural policy, be turned over to development concerns. In this connection financial incentives have proved to be much less important than job opportunities. Aid from the Regional Fund will therefore have to be concentrated on the poorest agricultural regions faced by major structural problems and affording no opportunity to earn a reasonable living outside agriculture. As fishery and forestry are often of great importance to people living in these areas, your committee urges that structural improvement schemes also promote progress in these two sectors. In these regions, where there is a surplus of agricultural workers the most urgent need is for structural improvement, but this need cannot be adequately satisfied on the basis of the directives issued under the agricultural structural policy. It is even a regrettable fact that the Community's poorest agricultural regions have benefited least from the aid from the Guidance Section of the EAGGF for modern holdings which submit development plans. This is partly because the criteria laid down in the directives themselves are too strict, partly because the Community makes only a limited financial contribution, thus placing a considerable burden on the Member States and those concerned, and partly because

the structural problems in the individual regions are both serious and wide-ranging. The structural directives should therefore take more account of regional aspects, as is indeed already provided for by a number of points in the directives. However, even if a distinction is made between individual regions for the purposes of investment aid and the comparable income concept, or if it is decided to increase aid in certain areas - and the directives already make provision for such action - the results will continue to be unsatisfactory in the absence of complementary measures for regional development and the creation of alternative job opportunities, since the risks involved in modernization and conversion will still be too great and the prospects of earning a reasonable living too uncertain. The problem here is to make the process of structural adjustment more socially acceptable by means of higher or regionally differentiated contributions from the Guidance Section of the EAGGF in conjunction with the efficient use of appropriations from the European Regional Development Fund.

With a view to creating more opportunities in the poorest agricultural areas, it is worth considering the recommendation to set up within the framework of the regional development policy a special agricultural fund with a view to establishing suitable industries in these agricultural areas.

While the agricultural structural policy must take careful account of regional factors, there are nevertheless certain limits to which this policy is subject in the matter of regionalization and flexibility. For instance, the proposed modernization of holdings could well be jeopardized if, on the basis of social or regional considerations, the aid given is clearly more favourable than for holdings with development possibilities, with the result that the owners of potentially viable holdings are not given enough incentive to undertake structural improvements. In other words, the selectivity and orientation of the structural policy must be maintained if lasting improvements are to be achieved in the agricultural sector. However, this points up the need to give priority to the use of funds available under the Regional Policy in areas where regionally differentiated solutions are necessary, i.e. in a large number of regions on the Community's periphery, where the centripetal forces of European integration have halted or impeded the development of industrial and production potential and the economic and social infrastructure. The Committee on Agriculture takes the view that in exceptional cases direct incomes subsidies might well be temporarily necessary. It is expressly pointed out that attempts should not be made in this way to sustain barely viable holdings artificially, but that it is intended simply as a temporary solution pending the creation of job opportunities, socially acceptable schemes for the gradual laying-off of workers and the establishment of a general economic infrastructure by means of a resolute regional economic development policy. In this context

it should be pointed out that provision is made for direct incomes subsidies in the directive on mountain and hill farming and farming in certain less favoured areas where agriculture is faced with serious natural handicaps. This directive is a clear example of the relationship between agricultural structural policy and regional policy.

The Commission favours a new pragmatic approach to all structural problems both inside and outside the agricultural sector, so that an effort is now being made to coordinate all funds for financing structural measures, including the Guidance Section of the EAGGF. A 'task force' has been set up for this purpose. The coordination of financial instruments undoubtedly accords with the need for coordination of policy given the close connection between agricultural structural policy and the regional, social and national economic structure. The structural policy had always been of only limited practical significance because of the lack of complementary regional and social measures.

The Committee on Agriculture naturally supports all efforts aimed at speeding up the implementation by the Member States of the common structural policy in the agricultural sector and at creating the necessary conditions for eliminating existing obstacles to an efficient structural policy. It shares the Commission's view that the solution of the employment problem is also crucial to the real success of agricultural structural policy. The coordination of the funds must not, however, be allowed to interfere with the specificity of agricultural structural policy. In other words, the production conditions peculiar to agriculture must not be neglected. The Committee on Agriculture therefore warns against any attempt to have the Guidance Section of the EAGGF merged into a large all-embracing fund for the financing of projects including structural measures in the agricultural sector. Thus, the Committee on Agriculture opposes any developments where there is a real danger that, as a result of integration in a larger entity, the essential function of the Guidance Section of the EAGGF in agricultural structural policy is lost, and that the Fund ceases to be subject to the controls and criteria laid down in the framework of the common agricultural policy. Also within the Commission's internal administration, steps must be taken to ensure that the Agricultural Fund remains under the Directorate-General for Agriculture and is not made subordinate to the budgetary departments of the Commission. If the functioning of the EAGGF is not kept within the framework of the agricultural policy there is a very real danger that agricultural expenditure may be subordinated to decisions made by other sectors.

Finally, the Committee on Agriculture would point out that there should be no hesitation in increasing, where necessary, the appropriations annually set aside for the Guidance Section (325 million u.a.). The Mansholt Fund could also be used for this purpose.<sup>1</sup> It should also be pointed out that the proposed reduction in monetary compensatory amounts also offers scope for financing expenditure on the structural policy. The system of monetary compensatory amounts which, in contrast with the original intention, has been applied on a permanent basis and has grown out of all proportion, is increasingly a subject of discussion, and the Committee on Agriculture has approved the proposal for the adjustment of representative exchange rates and of monetary compensatory amounts. Monetary compensatory amounts can naturally only be reduced gradually, with due account being taken of the economic situation in the individual Member States. This is not the place to engage in a discussion on how much would be saved if there were monetary and market stability.

Recapitulating, the Committee on Agriculture notes that adequate appropriations must be used to strengthen the Regional and Social Funds, so that the process of structural improvement in the agricultural sector may enjoy more chance of success. This will produce long-term savings, since the failure of measures for the structural improvement of agriculture will not only place the agricultural population at a disadvantage but will also mean that the Guarantee Section of the EAGGF will have to meet a considerable increase in expenditure in order to support the markets. The possibility should be considered of setting up, within the framework of the regional policy, a special fund in favour of the poorest agricultural areas to promote the establishment of industries. Price policy alone cannot solve the basic problems of agriculture. Support must therefore be given to a strengthening of the funds to meet the needs of the structural policy in the agricultural sector, and a high rate of utilization encouraged. However, the Committee on Agriculture expressly warns against any weakening of the position of the Guidance Section of the EAGGF that might result from the coordination of all funds connected with structural policy. The task of the Guidance Section of the EAGGF is to contribute to the financing of a basic aspect of the Common Agricultural Policy; it should therefore remain in the hands of those responsible for agriculture.

---

1

The fact that in 1976 only 75.6 m u.a. (69.4 m u.a. for Community schemes and 6.2 m u.a. for special measures) was actually used clearly illustrates the hitherto limited effect of the common structural policy.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr MASCAGNI

On 16 March 1977 the Committee on Budgets appointed Mr Mascagni draftsman.

It considered the draft opinion at its meeting of 31 March 1977 and adopted it unanimously.

Present: Mr Aigner, first vice-chairman and acting chairman;  
Mr Mascagni, rapporteur; Mr van Aerssen, Mr Alber, Mr Albertini,  
Lord Bessborough, Lord Bruce of Donington, Mr Caillavet, Mr Dalyell,  
Mr Frankie Hansen, Mr Kofoed, Mr Maigaard, Mr Martens, Mr Notenboom,  
Mr Ripamonti, Mr Schreiber, Mr Shaw, Mr Spinelli, Mr Vitale and Mr Würtz.

## Introduction

1. The present opinion has been drawn up by the Committee on Budgets in response to the initiative of the Committee on Regional Policy, Regional Planning and Transport. It contains suggestions for preliminary guidelines concerning the financial and budgetary aspects of the Community's new regional policy. Clearly, it is no more than an interim reaction intended to prompt the Commission, which should very shortly put forward proposals for the reform of one of the instruments of Community regional policy, the Regional Fund. It goes without saying that this opinion will be expanded and updated at a later stage in the light of the Commission's new proposals.

2. Since it is urgent for Parliament to adopt a resolution, the present document is not so much an analysis as an attempted synthesis which, of necessity, cannot detail all the considerations of a general nature relative to the Regional Fund's new structure and new tasks.

### Should the new regulation revising the European Regional Development Fund lay down the overall and the annual appropriations for this Fund for the coming years?

3. What are we to suggest on this? The view held by the Committee on Budgets in recent years is as follows. Since the second (1973) Treaty revision which strengthened Parliament's budgetary powers and which was formally embodied in the 1975 document, recently ratified by the nine Member States, the Committee on Budgets has been of the opinion that the necessary reinforcement of Parliament's power should be achieved principally through the power of codecision - to be exercised ahead of the annual budget - on the financial and budgetary implications of Community acts.

4. On this, Parliament has obtained partial satisfaction in the agreement concluded in March 1975 with the Council concerning legislative consultation on Community acts of general scope which have financial implications. On the basis of this agreement, if the Council fails to adopt Parliament's opinion on the financial consequences of Community acts, a conciliation procedure is initiated with a view to reaching agreement on these matters.

The text jointly agreed by Parliament, the Council and the Commission, although it does not expressly grant to Parliament formal powers of codecision on Community acts, is nevertheless clearly designed to meet this requirement and satisfy this principle. It can thus be claimed that, if appropriately used, it represents a means whereby the present pattern of legislative power can be modified at least partially, and at all events as far as the financial consequences of Community regulations are concerned.

5. The Committee on Budgets has, however, always maintained that the amounts of expenditure should not be fixed by regulation and that the appropriate instrument for determining the annual or pluriannual appropriations for the implementation of Community policy is the Community's budget.

6. The two views expounded in points 3 to 5 are not contradictory but complementary. Given a power of codecision on the financial consequences of Community acts, the need to affirm the second view becomes less pressing. In the absence, however, of an effective power of codecision, the budget should, naturally, remain the principal instrument for the fixing of expenditure - at the same time ensuring that Parliament's budgetary powers stipulated in the Treaty are respected.

7. Because these two views as to Parliament's powers in respect of the financial consequences of Community acts, as held by the Committee on Budgets, are complementary, it has been asked if it might not be advisable for the new European Regional Development Fund regulation to propose the annual and the overall amounts of the appropriations, provided that the Council undertook to take its decision only after it had applied the legislative conciliation procedure, and moreover , with Parliament's agreement.

8. Such a solution seemed all the more appropriate in that the prior fixing of the total and the annual appropriations for the new Regional Fund could be regarded, in real terms, as an essential condition, the necessary element of certainty, for the development of the Community's regional policy.

At a time when regional policy, so essential for the proper progress of Community integration, needs so badly some fixed points of reference, mature reflection on the method of determining the amount of expenditure for the new Fund, strongly indicated the choice of the safe solution, that is, that the financial appropriation should be determined at the same time as the regulation which applied for the years 1975 - 1977 is revised.

9. It has been pointed out, moreover, that the ideal solution would be to lay down the amount of Community financing from year to year and increase it as necessary; but in practice - given that these amounts are fixed only after laborious negotiations between the Member States - if no envelope is fixed in advance, such annual bargaining could prove counter-productive, as has also been pointed out.

10. Having weighed up the pros and cons of the situation as outlined in paragraphs 5 to 9, the Committee on Budgets strongly urges

- (a) the necessity for the total and multi-annual endowment of the Fund to be fixed on the basis of a political commitment on the part of the Council resulting from consultation with Parliament;

(b) the compelling need for the annual appropriations to be fixed on the basis of the budget procedure.

11. Is the above exposition of the new method of determining the Community commitment to the Regional Fund adequate? This is certainly not the case. The Committee on Budgets further maintains that the basic regulation will have to lay down a mechanism for the reassessment of the total projected envelope, permitting its adjustment to annual inflation rates.

The nature of the Regional Fund's expenditure

12. Regrettably, the Council chose to consider the Regional Fund's expenditure in the period 1975 - 1977 as compulsory expenditure. Within the terms of the Treaty, compulsory expenditure is that necessarily resulting from the Treaty or from acts adopted in accordance therewith. Any modification of proposed expenditure of this nature entered in the draft budget is essentially within the competence of the Council, in contrast to the position on non-compulsory expenditure, on which the right of amendment and final decision rests with Parliament.

13. Ever since 1975, i.e. the year in which the Regional Fund became operative, Parliament has always maintained that expenditure under the Fund is noncompulsory. It is important to recall in this context that on 15 April 1975 the Council - with the intention of giving due weight to Parliament's opinion and in the expectation that the Commission would be presenting to it proposals for the period following 1977 - declared its readiness to decide that, as far as it was concerned, Regional Fund expenditure subsequent to the three-year period 1975 - 1977 would not be considered as necessarily resulting from the Treaty or from acts adopted in accordance therewith. In other words, already in 1975 the Council undertook to regard Regional Fund expenditure after 1977 as non-compulsory.

14. These recent events in the development of inter-institutional relations are recalled here to remind the institutions concerned that there can be no question at the present stage of challenging an already existing agreement as to the non-compulsory nature of the new Regional Fund's expenditure.<sup>1</sup>

---

<sup>1</sup> In view of the significance of this commitment by the Council, the exact wording of the relevant paragraph of the letter from the Council of 22 April 1975 (Doc. 51/75) deserves to be quoted here:

'The Council, anxious to come towards the position of the European Parliament and having in view the fact that the Commission must submit proposals to it concerning the period after 1977, states that, as far as it is concerned, it is prepared to decide here and now that subsequent to the three-year period from 1975 to 1977 referred to in Article 2 of the aforementioned Regulation, the expenditure occasioned by the Fund will not be considered as necessarily resulting from the Treaty or from an act adopted in accordance therewith. This undertaking is of course based on the assumption that the Parliament is prepared to treat the expenditure to be entered in this connection in the budgets of the European Communities prior to 1978 as obligatory expenditure.'

15. Under the present Regional Fund financial regulation, appropriations for the Fund are entered in the budget as commitment appropriations or payment appropriations.

Your draftsman feels it necessary to point out that for the purpose of calculating the financial margin of manoeuvre available to Parliament each year, which is determined at the time of the adoption of the budget, only the payment appropriations, not the commitment appropriations, should be taken into account.

Briefly, this approach is based on the following considerations:

- only the payment appropriations constitute the financial implications of the legal commitments entered into on the basis of commitment appropriations;
- the Regional Fund financial regulation provides, not that any commitment appropriations unused during the financial year should be written off, but that they should remain available for the two successive financial years;
- only the payment appropriations are to be taken into account in the implementation of Article 199 of the Treaty which stipulates that revenue and expenditure shown in the annual budget shall be in balance.

The annual budget of the new Regional Fund

16. Your draftsman is of the opinion that the new Regional Fund's annual budget, to be fixed within the framework of the budget procedure, should consist of:

- its total multi-annual endowment, fixed, of course, in agreement between the Council and Parliament;
- its supplementary endowment deriving from the corrective procedure for adjusting the total nominal amounts to allow for the effects of currency depreciation;
- additional amounts which might arise from the partial or total utilization of a reserve quota which should be set aside from the total multi-annual endowment for use in special cases;
- further appropriations which may be granted to the Regional Fund by Parliament from its 'margin of manoeuvre' resources;
- finally and above all the quota which will be determined annually under the budget procedure.

Obviously your draftsman's purpose in formulating his purpose in this way

is to ensure that, also in financial terms, the Regional Fund is dynamic. Indeed, not only dynamic but capable, if necessary, of adapting to changing economic circumstances. Moreover, the size of Parliament's 'margin of manoeuvre' resources in relation to the new Regional Fund's endowment, generous though, it is hoped, it will be, will not be negligible.

Yet the size of the Fund's endowment will in future be unavoidably limited because the Community's budget is to be self-financing. This factor, already looming large, will become even more prominent in the next two or three years. The implementation of Community policies will then inevitably pose the problem of the allocation of the limited revenues available to it. For these reasons, and because Regional Fund financing is in the nature of investments, it is important to stress already at this stage the need to permit the resources available to be reinforced by Community borrowing. This is not a new proposal, and the Committee on Budgets repeats it here, urging the Commission to adopt it and include it in the draft of the new Regional Fund regulation.

#### The budgetization of appropriations for the Regional Fund

17. The Committee on Budgets has always maintained that the annual amounts allocated to the Regional Fund, which until now have been aggregated in a single budget entry in Chapter 55, should be broken down under various headings.

Such a breakdown is necessary if the budget is to be transparent. The request may appear of theoretical value only, since priorities for Regional Fund expenditures are fixed by regulation. Yet it may also be held that, on the contrary, such a breakdown is essential to enable Parliament to carry out its annual check on priorities, to examine critically the justification of the order of priorities, to gain real insight into the Fund's development trends, and to be better able to assess the Commission's proposals for coordinating the Regional Fund's financial resources with aid available in other sectors which may help to further the implementation of the Regional Policy. It should be made clear, however, that the budgetary breakdown of Regional Fund expenditure must not become an excuse for stagnation or rigidity in the financial management of the Fund. As with the EAGGF, it should be possible to effect transfers between budget headings in the course of the financial year on the decision of the Institution responsible for the implementation of the budget, namely the Commission.

#### Mechanisms for allocating resources from the Regional Fund

18. This opinion on the reform of the Fund, necessarily brief as we await the formal proposals from the Commission, needs to be supplemented with some

remarks on the mechanism for allocating resources from the Fund itself.

As the Commission pointed out in the First Annual Report on the European Regional Development Fund for 1975, decisions on operations by the Fund have been rapid and effective - for the following reasons: the Commission has streamlined the internal procedures for examining projects; the Commissioner with responsibility for the Regional Fund now decides independently on the allocation of resources, having been delegated this authority by the Commission itself; there is sound, permanent collaboration with the national administrations. It would therefore appear that, even if there is room for further improvement of the present mechanisms, they should not be substantially modified. However, the payments mechanism should be reviewed in detail, seeing that rapid payments are essential to the effectiveness of the Fund.

As proposed by the Commission, the Fund should also be made to function more flexibly, in order to make operations more effective, and to improve, where necessary, intervention procedures and extend the sectors of geographical intervention.

19. As is known, resources are allocated after the Commission has consulted the Fund Committee.

As the Committee on Budgets recently emphasized, there are grounds for amending the provision of the regulation setting up the Fund, which grants the Council the right of decision in cases where the Commission does not endorse the opinion of the Fund Committee itself in respect of a given operation. This rule should be abolished, since, according to the Committee on Budgets, it conflicts with Article 205 of the Treaty, which entrusts the Commission with the responsibility for implementing the budget and, in consequence, Community policies.

The Commission might usefully have a further consultation with the Fund Committee in cases where its decisions and those of the committee conflict, but it cannot be allowed that the existence of divergent views should result in the Council assuming powers which the Treaty clearly grants to the Commission<sup>1</sup>.

#### Provisions relating to control of the utilization of resources

20. According to the Commission, it would appear that the rules at present provided for under Article 8 concerning the conditions for payments to the Member States, and Article 9 concerning investigations into operations financed by the Fund, are sufficient both to justify the payments themselves and to ensure control of the utilization of appropriations.

---

<sup>1</sup> The Committee on Budgets gave a clear exposition of this view in the recent opinion by Mr AIGNER - PE 47.932/fin.

The draftsman emphasizes that this judgement will have to be reviewed on the basis of such observations as the Commission may make on the subject. He therefore requests the Commission to explain its views in detail to the Committee on Budgets when it presents the new regulation. In accordance with the basic position of the Committee on Budgets, the draftsman favours a payments and controls system which, without making the procedures for and the release of allocations unduly cumbersome, would nevertheless provide maximum safeguards for the correct utilization of those resources.

Conclusions:

21. As the Commission correctly pointed out in the First Annual Report on the Regional Fund, the free market economy will not solve automatically the problems connected with the harmonious development of regional economies even if there is an upswing in the Member States' economies - and even less if there is recession.

A clearcut regional policy therefore has to be worked out at Community level, capable, by virtue of its scale and its design, of effectively implementing the long-term provisions of the Treaty.

Without wishing to take up again the general observations which will undoubtedly be expanded by the committee responsible, your draftsman feels that it would be useful, at this stage in the process of considering new means for pursuing the regional policy, to summarize the proposals contained in the opinion;

The Committee on Budgets:

1. considers that the multi-annual financial endowment of the Regional Fund should be based on a political commitment undertaken by the Council in agreement with Parliament; regards it as essential, however, that the annual appropriations should be determined in accordance with the budget procedure;
2. stresses that the financial resources provided for the new Fund should allow for a reserve quota for particular purposes to be set aside within the total endowment; considers it essential to institute a mechanism for the reassessment of appropriations in order to protect the real value of resources in years to come; insists that the annual available resources, fixed in accordance with the budget procedure, should be reinforced by recourse to Community loans or, as would be natural, by recourse, at Parliament's discretion, to the funds accruing to Parliament by virtue of its power to amend the budget;

3. points out that, following the proposals from the Commission and from Parliament and the undertakings given by the Council in 1975, expenditure under the new Regional Fund is non-compulsory;
  4. urges, in the interests of budgetary transparency, the breakdown of the Regional Fund's appropriations into several items;
  5. requests the Commission to make the payments mechanism still more effective, and to apply the rules for the control of utilization of resources, in the light of the favourable judgement expressed by the Commission on their suitability for ensuring effective Community control over the utilization of expenditure;
  6. requests the revision of the regulation instituting the Fund Committee, and the deletion of the rule granting the Council the right of decision in the event of a divergence of views between the Commission and the Fund Committee itself; bases its request on the incompatibility of this provision with Article 205 of the Treaty, which entrusts the Commission with the responsibility for implementing Community policies and the budget.
22. In the event of the Committee on Regional Policy, Regional Planning and Transport being unable, for reasons connected with its programme of work, to take the opinion of the Committee on Budgets into consideration before the debate in plenary session, the Committee on Budgets instructs its draftsman to submit the conclusions contained in the opinion to the Assembly in the form of amendments.