

# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

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10 March 1975

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REPORT

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 491/74) for a regulation on the transfer to the European Regional Development Fund of 150 million units of account out of the appropriations held in reserve by the Guidance Section of the European Agricultural Guidance and Guarantee Fund

Rapporteur: Mr Heinrich AIGNER

PE 39.749/fin.



By letter of 6 February 1975 the Council of the European Communities requested the European Parliament, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the transfer to the European Regional Development Fund of 150 million units of account out of the appropriations held in reserve by the Guidance Section of the European Agricultural Guidance and Guarantee Fund.

On 17 February 1975 the President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Agriculture and the Committee on Regional Policy and Transport for their opinions.

On 17 February 1975 the Committee on Budgets appointed Mr Aigner rapporteur.

It considered the draft report at its meetings of 11 February and 10 March 1975. At its meeting of 10 March 1975 the committee unanimously adopted the report.

Present: Mr Spénale, chairman; Mr Aigner, vice-chairman and rapporteur; Mr Durand, vice-chairman; Mr Artzinger, Mr Bersani (deputizing for Mr Galli), Mr Cointat, Mr Gerlach, Mr Houdet, Mr Kirk, Mr Lagorce, Mr Lautenschlager, Lord Lothian, Mr Memmel (deputizing for Mr Pöher), Mr Notenboom, Mr Radoux and Mr Shaw.

The explanatory statement will be given orally by the rapporteur.

The opinions of the Committee on Agriculture and the Committee on Regional Policy and Transport are attached.

C O N T E N T S

	Page
MOTION FOR A RESOLUTION .....	5
Opinion of the Committee on Agriculture .....	7
Opinion of the Committee on Regional Policy and Transport ..	13

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on the transfer to the European Regional Development Fund of 150 million units of account held in reserve by the Guidance Section of the European Agricultural Guidance and Guarantee Fund

The European Parliament,

- having regard to the final communiqué of the Conference of Heads of State or Government held in Paris on 9/10 December 1974;
- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
- having been consulted by the Council on 17 February 1975 (Doc. 491/74),
- having regard to the report of the Committee on Budgets and the opinions of the Committee on Agriculture and the Committee on Regional Policy and Transport (Doc. 532/74).

1. Considers the Commission's proposal unsatisfactory as, although it makes 150m u.a. available for the Regional Development Fund, it also cuts down the annual appropriations - already subject to a ceiling - for the Guidance Section of the EAGGF, the amount for which was fixed by the statutory method in 1970;

2. Admits that certain unused appropriations from the Guidance Section of the EAGGF may, pursuant to the Council's resolution of 21 March 1972, be used for regional development measures; notes, however, that the appropriations held in reserve had occasioned a series of proposals for their utilization which now either have to be withdrawn or can no longer be carried through properly;

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<sup>1</sup> OJ No. C 35, 14.2.1975, p.7.

3. Can only agree with substantial reservations to the new allocation of funds because it has no information on the criteria according to which the appropriations transferred from the Guidance Section of the EAGGF will be utilized;

4. Expresses strong reservations at the transfer of 25m u.a. from the Mansholt Reserve to the Regional Development Fund, since this could set a dangerous precedent by encouraging subsequent transfers of funds earmarked for the improvement of agricultural structures to other Community policies;

5. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr J. SCOTT-HOPKINS

The Committee on Agriculture appointed Mr J. Scott-Hopkins draftsman on 6 February 1975.

It considered this proposal at its meeting of 17 February 1975.

At the same meeting the committee adopted the draft opinion by 9 votes to 2, with 2 abstentions.

The following were present : Mr Houdet, Chairman; Mr Laban, Vice-Chairman; Mr Scott-Hopkins, draftsman; Mr Baas, Mr Bourdelles, Mr Brégégère, Mr De Keersmaeker, Mr Frehsee, Mr Früh, Mr Hansen, Mr Liogier, Mr Martens, Lord St. Oswald.

### The purpose of the Commission's proposal

1. The purpose of the Commission's proposal is to allow an exceptional transfer to the European Regional Development Fund for the 1975 financial year of :

- 125 million u.a. from appropriations held in reserve by the Guidance Section of the EAGGF to meet expenditure arising from the draft regulation presented to the Council by the Commission in May 1971 concerning a common measure envisaging the creation of employment in the priority agricultural region;
- and 25 million u.a. from the "Mansholt" reserve.

This transfer of 150 million u.a. from the Guidance Section of the EAGGF requires a derogation from Article 6(1) of Regulation (EEC) No 729/70<sup>1</sup> which establishes that the Guidance Section of the EAGGF shall finance common measures adopted to achieve the objectives of Article 39 of the EEC Treaty, that is, the objectives of the Common Agricultural Policy.

2. The Commission is to withdraw its draft regulation concerning priority agricultural regions.

3. This proposal follows from the decision taken at the Summit Conference of 19-21 October 1972 in Paris to create a Regional Development Fund, and the further decision taken at the Summit Conference of 9 and 10 December 1974, also at Paris, to create a fund disposing, over the three years 1975-1977, of 1,300 million u.a., of which 150 million should be made available from credits not committed in the Guidance Section of the EAGGF.

The preliminary Draft First Supplementary Budget for 1975 contains a proposal for the granting of 300 million u.a. in appropriations for commitment and 150 million u.a. in appropriations for payment for 1975.<sup>2</sup>

### The Reserve Funds to be transferred

4. The 150 million u.a. to be transferred from the Guidance Section of the EAGGF to a European Regional Development Fund is to be drawn from two reserve funds, in the following way :

- 25 million u.a. from the "Mansholt" reserve (concerning article 800 in the Budget);
- 125 million u.a. from the reserve fund for priority agricultural regions (concerning article 833 in the Budget).

The 25 million u.a. to be taken from the "Mansholt" reserve will be drawn upon the appropriations put in reserve for 1969.

<sup>1</sup> O.J. No L 94, 28.4.1970, p. 13.

<sup>2</sup> COM(75) 20



5. The Committee on Agriculture has on numerous occasions drawn attention to the unusual and disturbing nature of the "Mansholt" reserve. For the years 1969 to 1973 appropriations amounting to 538,525,700 u.a. have been set aside by the Council Decision for the financing of joint schemes within the meaning of Article 6 of Regulation No 729/70. These appropriations represent authorisations for commitment and will be committed once expenditure on joint schemes exceeds the annual appropriation of 325 million u.a.

6. The Committee on Agriculture has requested on numerous occasions that these appropriations be committed for activities undertaken within the framework of the Guidance Section, be it for joint schemes, special measures or individual projects. The Commission has refused to accept these proposals, arguing that according to Regulation No 729/70 these reserves could only be used for joint schemes and common measures. The result has been that while individual projects which would otherwise have been financed by the EAGGF have not been accepted by the Commission due to lack of available funds, at the same time the reserve fund has been increased and has been eaten into by inflation.

7. The "Mansholt" reserve was set up to finance the whole range of common measures within the Guidance Section and not merely priority regions. It is incomprehensible that the Commission having opposed the Committee on Agriculture's proposal to use the "Mansholt" reserve for other activities of the Guidance Section, namely individual projects, should now propose that it be used in part for a Regional Development Fund. The Summit Conference in Paris of 9 and 10 December 1974 referred to appropriations from the EAGGF (Guidance Section) not at present utilised and made no specific mention of the "Mansholt" fund.

8. A second reserve fund has been created, on the basis of the Council Resolution of 21 March 1972 that the EAGGF could be used from 1972 for regional development schemes for development operations in priority agricultural regions :

- 25 million u.a. in 1972;
- 50 million u.a. in 1973;
- 50 million u.a. in 1974.

9. Furthermore, appropriations of 50 million u.a. were entered into the Budget for 1975.

These 50 million u.a. are to be transferred to Article 800 in the Budget, i.e. individual projects referred to in Article 13 of Regulation No 17/64/EEC, the appropriations for which shall increase by 50 million u.a. from 145,140,000 u.a. as laid down in the Budget drawn up by the Council, to 195,140,000 u.a. Expenditure on individual projects suffers from serious delays, as the Committee on Agriculture has deplored on numerous occasions.

10. As stated above, the Committee on Agriculture has requested in the past that credits not employed for measures in the framework of the Guidance Section be used for individual projects, the credits for which are insufficient each year. Only half the requests for aid submitted each year can be financed.

However, individual projects are a much less precise instrument than the priority regions measure for granting aid to poor agricultural regions.

Moreover, as shown below, it is far from clear that appropriations transferred to the Regional Development Fund will be used for the purpose of aiding priority agricultural regions in the manner originally envisaged.

The budgetary procedure adopted by the Commission appears to be unduly complicated. Instead of creating a dangerous precedent for transferring appropriations from the "Mansholt" fund, would it not have been preferable to have employed appropriations entered for priority regions for 1975.

#### A Regional Development Fund and the Common Agricultural Policy

11. The Committee on Agriculture has insisted, on numerous occasions, that an adequate and operational Regional Fund was essential both to the harmonious economic development of the Community and to a rational Common Agricultural Policy. The problems faced by farmers in unfavourable agricultural regions cannot be solved by a price policy alone; these must be dealt with by special regional development projects.

12. However, the proposal to transfer 150 million u.a. from the Guidance Section of the EAGGF to a regional fund raises a number of questions of principle which the Committee on Agriculture cannot overlook.

The Guidance Section of the EAGGF and a regional fund, while they may be considered as being parallel and even complementary in their operation, are not identical in their objectives and working criteria. Credits entered under the Guidance Section are entered, according to Article 6 of Regulation No 729/70, for the use of the objectives laid down in Article 39 of the Treaty :

- (a) increase agricultural productivity;
- (b) ensure a fair standard of living for the agricultural community;
- (c) stabilise markets;
- (d) assure the availability of supplies;
- (e) ensure that supplies reach consumers at reasonable prices.

Furthermore, the proposal for a regulation on a list of priority agricultural regions<sup>1</sup> laid down three criteria for the establishment of these regions :

- (a) a percentage of the working population engaged in agriculture which is higher than the Community average;
- (b) a gross domestic product at factor cost which is lower than the Community average;
- (c) a percentage of the working population engaged in industry which is lower than the Community average.

<sup>1</sup> Doc. 205/73, p. 2.

13. It is by no means certain that credits transferred to the Regional Development Fund will be used to carry out these objectives : the Commission intends to withdraw its proposal for a regulation for the priority regions sector, and there is no way in which the Committee on Agriculture can judge the criteria by which the transferred credits will be employed or the areas which will benefit.

14. In fact, the Commission considers at present that, in general, credits from a Regional Development Fund shall be allocated by fairly simple provisions whereby regions eligible for aid shall be regions established by Member States in accordance with their national aid programmes.

15. Moreover, the principle of Community criteria for allocating aid is to be further diluted by the national quotas foreseen by the Commission for the distribution of credits from the Regional Development Fund:

Belgium	1.5%
Denmark	1.3%
France	15 %
Ireland	6 %
Italy	40 %
Luxembourg	0.1%
Netherlands	1.7%
Federal Republic of Germany	6.4%
United Kingdom	28 %

16. It is evident that appropriations made available for the very precise objectives of the Priority Regions measure are to be dispersed in the Regional Development Fund and allocated according to very different criteria.

17. The Committee on Agriculture, in its opinion drawn up by Mr Vetrone on a regulation on a list of priority agricultural regions,<sup>1</sup> approved the Commission's proposal and pointed out that if intervention is to be effective "it must be concentrated in those regions of the Community which have the greatest imbalance".

There are grave doubts that this will not be the case if the present proposal from the Commission is put into effect.

18. Concern must also be expressed as to whether, as a result of this proposal, further delays will emerge in the commitment of credits held in reserve since 1972.

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<sup>1</sup> Doc. 276/73, pp. 19 and 20.

19. It should also be pointed out that total appropriations available each year for the Guidance Section of the EAGGF are limited to a ceiling of 325 million u.a. (since 1973, and 285 million u.a. previously). Appropriations of 25 million u.a. in 1972 and 50 million u.a. in 1973 and 1974 have been entered for priority regions. These have now been transferred to the Regional Development Fund. If these appropriations had not been entered, an extra 25 million u.a. in 1972 and 50 million u.a. in 1973 and 1974 would have been available for individual projects in the Guidance Section.

#### Conclusions

20. The Committee on Agriculture cannot agree, in principle, to the transfer of appropriations from the EAGGF to other funds such as the Regional Development Fund, given the lack of knowledge of the criteria by which these transferred appropriations are to be employed.

21. The Committee on Agriculture must express its strong reservations over the transfer of 125 million u.a. from a reserve held by the Guidance Section of the EAGGF for priority agricultural regions, to a European Regional Development Fund, unless it receives assurances that these credits will be used according to the same criteria and in conformity with the objectives set out in Article 39 of the EEC Treaty.

22. The Committee on Agriculture furthermore rejects any proposal which seeks to transfer appropriations held in reserve in the "Mansholt" fund for use for activities outside the framework of the Guidance Section of the EAGGF. The present proposal for a transfer of 25 million u.a. from the "Mansholt" fund may create a dangerous precedent for further transfers from this fund to other Community policies.

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND TRANSPORT

Letter from the chairman of the committee to Mr SPENALE, chairman of the Committee on Budgets

Brussels, 12 February 1975

Dear Mr Spénale,

On behalf of the Committee on Regional Policy and Transport which was asked for its opinion on the proposal for a Regulation (EEC) of the Council on the transfer to the European Regional Development Fund of 150 million units of account out of the appropriations held in reserve by the Guidance Section of the European Agricultural Guidance and Guarantee Fund (Doc. COM(75) 28) and agreed, subject to the reservation that until the final proposals for the way in which the Regional Development Fund is to be applied are known, it is hard for them to arrive at a definitive opinion that it did not give rise to any special problems and it therefore approved it. The Committee has requested me to forward this opinion in the form of a letter to the Committee on Budgets.

Yours sincerely,

S. James A. Hill

