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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council (Doc. 1-928/81 - COM(81) 790 final) for a decision applying for the first time the EEC decision empowering the Commission to contract loans for the purpose of promoting investment within the Community

Rapporteur: Mr J. MOREAU

By letter of 6 January 1982 the Council requested the European Parliament for an opinion on the proposal for a Council decision applying for the first time the EEC decision empowering the Commission to contract loans for the purpose of promoting investment within the Community.

On 21 January 1982 the President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Budgets for an opinion.

On 24 February 1982 the Committee on Economic and Monetary Affairs appointed Mr Papantoniou rapporteur. On 18/19 March the committee changed this decision and appointed Mr J. Moreau rapporteur.

It considered this proposal at its meeting of 31 March 1982 and adopted it unanimously.

The following took part in the vote: Mr J. Moreau, chairman and rapporteur; Mr Deleau, vice-chairman; Mr Albers (deputizing for Mr Caborn), Mr Beumer, Mr Delorozoy, Mr I. Friedrich, Mr Giavazzi, Mr Herman, Mr Leonardi, Mrs Tove Nielsen (deputizing for Mr Combe), Mr Purvis, Mr Rogers, Mr Turner (deputizing for Mr Hopper), Mr Van Rompuy and Mr von Wogau.

The opinion of the Committee on Budgets will be distributed separately.

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The Committee on Economic and Monetary Affairs 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 decision applying for the first time the EEC decision empowering the Commission to contract loans for the purpose of promoting investment within the Community

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 790 final),¹
- having been consulted by the Council (Doc. 1-928/81),
- having regard to its resolution of 10 April 1981 on the decision empowering the Commission to contract loans for the purpose of promoting investment within the Community²,
- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Budgets (Doc. 1-87/82),

1. Accedes to the Council's request for urgent procedure in respect of the proposal on the first tranche of NCI 2 because of the economic, monetary and social situation in the Community;
2. Declares itself in principle in agreement with the opening of this tranche of NCI 2, while reaffirming its disagreement with the basic decision a NCI 2 taken by the Council;

¹OJ No. C 29, 6.2.1982, p. 5

²OJ No. C 101, 4.5.1981

3. Considers that the fact that the resources of NCI 2 should have been used up in a single tranche is in itself evidence that this ceiling is too low and reiterates its request that this mechanism should become a permanent instrument;
4. Approves the extension of this mechanism to the financing requirements of small and medium-sized undertakings, which, in accordance with the wishes of the European Parliament, will entail a widening of the scope of this mechanism to include industry and easier access for SMU to the capital market;
5. Considers that, in accordance with the Commission's initial proposal, loan tranches must be authorized by a qualified majority in the Council and not by a unanimous vote;
6. Again stresses that it wishes to be consulted not only on the opening of the tranches but also on the choice of the economic sectors concerned;
7. Takes the view that Parliament would have been more clearly informed of the Commission's intentions if the latter had proposed three parallel tranches, one for each priority sector, instead of an overall tranche;
8. Calls attention to the fact that this borrowing and lending mechanism is subject to the rules of budgetization and insists that the controversy over this matter should be finally settled during discussion of the 1983 budget in the context of conciliation on the budgetary regulations, as suggested by the Council itself during the conciliation procedure on the basic decision on NCI 2;
9. Requests the Commission to keep it informed of its relations with the EIB and to report to it periodically on the utilization of the loan tranches; instructs the Committee on Economic and Monetary Affairs to supervise the carrying-out of operations under this single tranche;
10. Reserves the right, if necessary, to initiate the conciliation procedure should the Council intend to depart from this opinion.

EXPLANATORY STATEMENTI. INTRODUCTION

1. On 15 March 1982, during the conciliation procedure¹, the Council adopted the decision empowering the Commission to contract loans for the purpose of promoting investment within the Community. There was fundamental disagreement between Parliament and the Council over the contents of this basic decision as adopted by the Council, with the result that the latter invoked urgency under Article 6 of the joint declaration on the conciliation procedure.

At the end of the conciliation procedure the Council also requested Parliament to deliver its opinion rapidly on the proposal for a decision on the first tranche of NCI 2 and sent Parliament a telegramme on 16 March 1982 requesting urgent procedure, the release of the 1,000 million ECU loan being conditional not only on the basic decision but also on an implementing decision, pursuant to Article 2 of the basic decision.

The Committee on Economic and Monetary Affairs decided to accede to this request for urgent procedure given that in the present state of economic and social crisis these loans must be allocated as quickly as possible. It must however again be stressed that in acceding to the Council's request for urgent procedure Parliament has by no means withdrawn its objections to the basic decision.

2. In view of the intolerable consequences of the economic crisis and unemployment, investments are urgently needed. It would therefore be irresponsible to delay projects financed by NCI 2 loans. For economic and social policy reasons, the Committee on Economic and Monetary Affairs declares itself in principle in agreement with the opening of this tranche of NCI 2. It wishes however to make a number of comments about the provisions relating to the tranches in general, the particular tranche in question and the basic NCI 2 decision.

¹ See report on the conciliation procedure (Doc.)

II. THE PROVISIONS RELATING TO THE TRANCHES IN THE BASIC DECISION

3. Article 2 of the basic decision lays down the rules which apply to the tranches. In accordance with the decision adopted by the Council tranches of borrowings are to be authorized by unanimous decisions of the Council on a proposal from the Commission and after consulting the Assembly. In its resolution of 4 May 1981 on the proposal for the basic decision Parliament pronounced itself in favour of qualified majority voting in the Council, as proposed by the Commission. The Council, however, restored unanimity voting.

The Council also failed to satisfy Parliament's request to be consulted not only on the tranches but also on the policies for which loans may be contracted. Merely to indicate the sectors already mentioned in Article 1, as the Commission does in its proposals relating to the tranches, is not a satisfactory response to this request. Parliament asks to be informed of the economic sectors, the amounts and the purposes of the transactions concerned. In the proposal in question this desire of Parliament has not been satisfied either.

4. In its proposal relating to the basic decision on the NCI the Commission left open the possibility of parallel tranches. That was a change by comparison with NCI 1, the relevant provisions of which provided for consecutive tranches only. Parliament welcomed this proposal, which was not modified by the Council. However, by proposing a global tranche which completely uses up the resources of NCI 2, the Commission has failed to make any use of a facility it had itself proposed.

Several parallel tranches might replace a single overall tranche. These parallel tranches might each relate to specific economic sectors. By subdividing the present tranche into three might partly have satisfied Parliament's request, which was the subject of a proposed modification mentioned in Article 2 of the basic decision, to be informed of the policies, the economic

sectors, the amounts and the purposes of the loans. It might indeed, in each of these proposals, have specified more clearly the types of operation, the economic sectors and the amounts of the transactions envisaged.

5. The borrowing and lending policy clearly has such financial implications that, in accordance with the joint declaration of 1975 introducing the conciliation procedure, each decision in this area must be capable of being the subject of that procedure. This is true not only for the basic decision but equally for the implementing decisions, the budgetary implications of which cannot be denied. During the conciliation procedure of 15 March 1982 on the basic decision on NCI 2, however, the Council stated that it did not agree that these proposals for implementing decisions lent themselves to the conciliation procedure and that only the basic decision must be the subject of conciliation with Parliament. Parliament can by no means accept this position of the Council and reaffirms its previous position, reserving the right to initiate the conciliation procedure should the Council intend to depart from its opinion.

III. THE AMOUNT

6. Article 1 of the Council decision introducing NCI 2 provides for an absolute ceiling of 1,000 m ECU. This is one of the major points of disagreement between Parliament and the Council. The Parliament wants to make the NCI a permanent instrument, in accordance with the Commission's initial proposal. At present the Commission proposes an overall tranche of 1,000 million, which is thus equal to the total ceiling adopted by the Council in its basic decision. The mere fact that the Commission feels obliged to propose a single tranche is in itself sufficient evidence that the overall ceiling adopted by the Council is totally inadequate.

IV. THE SECTORS BENEFITING FROM NCI 2

7. Article 1 of the decision empowering the Commission to contract loans for the purpose of promoting investment within the Community provides that the proceeds of these loans 'shall be lent to finance investment projects which contribute to the greater

convergence and integration of the economic policies of the Member States.

These projects must help attain the priority Community objectives in the industry and infrastructure sectors, taking account inter alia of the regional impact of the projects and the need to combat unemployment'.

In pursuance of this article, the Commission proposes three sectors for the allocation of these loans:

- investment promoting the efficient use of energy and the replacement of oil by other sources of energy;
- investment in infrastructure projects contributing to regional development, as a continuation of the effort to improve basic structures, particularly in less privileged areas of the Community, and in projects of Community interest;
- economically sound investment projects of enterprises of moderate size in the productive sector.

8. NCI 1 provided for only two categories of priority activities, i.e. energy and infrastructure. NCI 2 provides for the extension of the instrument to include the financing requirements of small and medium-sized undertakings. This is in line with the request made by Parliament in its report on the basic decision that the scope of the NCI should be extended to industrial investment, and with Parliament's concern as regards the problems of SMU access to the capital market, as expressed in its resolution on SMU of 19 February 1982.

9. The description given by the Commission of priority fields of action is virtually confined to the fields listed above and is thus extremely vague, no indication being given of the economic sectors which stand to benefit.

There is also the further question of how these loans would be allocated to the SMU. Will the EIB consider each application or will it confine itself to its usual practice as regards the loans it grants to SMU, in particular the global loans, and if so how can the Commission properly assess the eligibility of each project? Parliament should be given more precise information on this matter.

10. The Commission gives no indication as to the manner in which it intends to divide up the tranche among the three priority sectors. In this connection we would refer again to the observation made above concerning the advantages of replacing a single tranche by several parallel tranches. It is also worth quoting the point made in the report on the first tranche of NCI 1 (Doc. 45/79):
'The Commission must have a fairly accurate idea of the amount and the type of loans it will be able to grant from the first NCI loan raised, of future recipients and of possible future types of investment.'

It is also likely that the representatives of the Member States have been kept informed of the investment projects eligible for financing from the initial NCI loan'.

V. PARLIAMENT'S RIGHT TO INFORMATION ON THE OPERATIONS CARRIED OUT

11. In view of the lack of information regarding the economic policy objectives pursued, the economic sectors benefiting from the loans and the amounts allocated, the need for precise retrospective information is all the greater. Parliament, and in particular its Committee on Economic and Monetary Affairs, must be in a position on the basis of the information supplied by the Commission, to monitor closely the transactions carried out by means of this instrument, a task which was, moreover, entrusted with this committee in its resolution of 10 April 1981.

12. Parliament must receive from the Commission the following information:

- the economic policy objectives pursued;
- the economic sectors benefiting therefrom
- the volume of the operations;
- the loans benefiting from the interest-rate subsidy granted under the EMS and clear information concerning the distribution of these interest-rate subsidies between the NCI and the other EIB loans;
- the financing of projects by other EIB loans or other Community financing instruments among the loans granted under the NCI;
- cooperation between the Commission and the EIB.

VI. PARLIAMENT'S ROLE AS ARM OF THE BUDGETARY AUTHORITY

13. Parliament's demand for budgetization of borrowings and loans must be repeated once again. During the conciliation procedure on the basic decision the Council stated that the problem involved was not confined to this decision alone but that it was a horizontal problem, a solution for which would have to be found in the budgetary regulations. The Council must therefore be called upon to make a serious effort to find a solution to this problem of budgetization with Parliament in the context of conciliation on the budgetary regulations, so that the question of budgetization is finally settled in time for the 1983 budget.

The right to invoke the conciliation procedure, already mentioned above, is also necessary for Parliament to be able to exercise its budgetary powers.

VII. THE COMMISSION AND THE EIB

14. Mention should also be made in this connection of relations between the Commission and the EIB. The Commission must be the body responsible for defining the investment policy to be pursued by means of this new instrument and the principles governing the administration thereof. According to Article 1 of the basic decision, the NCI is intended to contribute to the convergence

and integration of economic policies and must therefore be used for projects which are liable to meet the Community's priority objectives in the few sectors mentioned in this article. However, the present distribution of tasks between the Commission and the EIB is not such as to guarantee that the NCI will genuinely be such an instrument of Community economic policy. The predominance of the Commission over the EIB must be reaffirmed. There is a need for a better distribution of the decision-making powers of the Commission and the management powers of the EIB.

15. Moreover, Parliament has no means of controlling the operations of the EIB, or therefore, the loans granted under the NCI. It is therefore unable to exercise its powers as budgetary authority with responsibility for budgetary control. It is to be hoped that the report currently under discussion in the Committee on Budgetary Control in the context of the discharge for the 1980 will help to ensure that consideration is given to this request of Parliament.
