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Working Documents

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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. 1-581/80) for a decision empowering the Commission to contract loans for the purpose of promoting investment within the Community

Rapporteur: Mr A. GOUTHIER

1.2.1

By letter of 13 November 1980, the President of the Council of the European Communities consulted the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision empowering the Commission to contract loans for the purpose of promoting investment within the Community.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Budgetary Control for their opinions.

On 24 November 1980 the Committee on Budgets appointed Mr Gouthier rapporteur.

It considered the proposal at its meetings of 25 November 1980, 20 January and 29 January 1981.

At its meeting of 9 March 1981 the committee adopted the motion for a resolution by 19 votes to 2 with 2 abstentions.

Present: Mr Lange, chairman; Mr Notenboom and Mr Spinelli, vice-chairmen; Mr Gouthier, rapporteur; Mr Aigner, Mr Arndt, Mr Balfe, Mr Battersby (deputizing for Mr R. Jackson), Mr Bonde, Mrs Boserup, Mr Colla, Mr Cottrell (deputizing for Mr Forth), Mr Dankert, Mr Estgen, (deputizing for Mr Konrad Schön, Mr Fich, Mr Georgiadis, Mrs Gredal, (deputizing for Mr Jalton), Mr Habsburg (deputizing for Mr Barbi), Mrs Hoff, Mr Howell, Mr Johnson (deputizing for Mr Tuckman), Mrs Lentz-Cornette (deputizing for Mr Langes), Mr Newton Dunn, Mrs Pruvot (deputizing for Mr Nord), Mr Schall (deputizing for Mr Lega), Mrs Scrivener, Mr J.M. Taylor and Mr Vié (deputizing for Mr Flanagan).

The opinions of the Committee on Economic and Monetary Affairs and the Committee on Budgetary Control are attached.

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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 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(80) 670 final),
 - having been consulted by the Council (Doc. 1-581/80),
 - having regard to the decision creating the borrowing instrument for the promotion of investment¹ and the results of the conciliation procedure with the Council in connection with the adoption of that decision,
 - having regard to the opinions of the European Parliament on the activation of the first and second tranches of the loan²,
 - having regard to the report of the Committee on Budgets and the opinions of the Committee on Budgetary Control and the Committee on Economic and Monetary Affairs (Doc. 1-28/81),
1. Reaffirms its support for the development of a genuine Community borrowing policy designed in particular to provide additional yet specific support for investment in the Community;
 2. Welcomes the Commission proposal to make the raising of capital to fund investments a permanent feature and to abolish the overall ceiling previously imposed on such operations;
 3. Reminds the Commission that, if they are to remain effective, the development of the Community financing instruments calls for the coordination and consistent application of all the existing instruments;

¹ OJ No. L 298, 25.10.1978, p. 9

² OJ No. C 127, 21.5.1979, p. 32 and
OJ No. C 85, 8.4.1980, p. 44

4. Also considers it advisable to make the tranche mechanisms more flexible as proposed, provided that:
 - the Council authorizes the tranches by a qualified majority, and
 - the conciliation procedure is used where necessary;
5. Considers that Parliament should be able to deliver an opinion not only on the opening of loan tranches but also on the choice of the economic sectors concerned;
6. Urges the Commission strongly to take all the necessary steps to extend the scope of the instrument to industrial investment;
7. Considers that raising loans to promote investment should not be regarded as a supporting instrument for the financial policies conducted by national bodies and the EIB but as having a specific role to play in stimulating economic activity and supporting the common policies aimed at promoting convergence and greater integration of the economic policies of the Member States, and in attaining the Community's political objectives;
8. Considers that the EEC budget should provide interest rebates to support loans for the purpose of promoting investment within the Community;
9. Calls on the Community to provide additional information on:
 - the volume of proposed operations over the period 1981/83,
 - the economic sectors concerned,
 - the general objectives of Community economic policy assigned to this borrowing mechanism over the period in question,
 - cooperation with the EIB in the selection of eligible projects and in the allocation of EMS-related interest rate subsidies,
 - the financial and budgetary implications of the partial abandonment of the 'back-to-back' system adopted up till now for each borrowing/lending transaction;
10. Considers that the Council cannot arrogate to itself the Commission's executive power and enjoins the Commission to retain - particularly vis-à-vis the EIB - overall control of and responsibility for the investment policy pursued on the basis of this new financial instrument - and requests that it be officially notified of the cooperation agreement between the Commission and the Bank;
11. Further requests the Commission to consider, after one year's experience of this revised mechanism, the possibility of assigning a specific and central role to the NCI in the financing from loans

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of the Community's structural policies;

12. Reiterates its demands for the budgetization of Community borrowing/lending instruments to ensure:
 - that lending and borrowing operations are authorized by budgetary means,
 - the transparency of all the Community's borrowing policies and its level of indebtedness,
 - that the budgetary authority is kept informed and is able to carry out its monitoring function,
 - that the lenders receive Community guarantees;
13. Instructs the Committee on Budgets and the Committee on Economic and Monetary Affairs to monitor the progress of operations undertaken within the framework of this revised mechanism;
14. Requests the Court of Auditors, pursuant to the second paragraph of Article 206a(4) of the EEC Treaty, to deliver an opinion on the present conditions for the budgetary and financial control of the various Community borrowing and lending mechanisms;
15. Reserves the right to invoke the conciliation procedure should the Council choose to ignore this opinion.

Commission proposal	Amendments proposed by the European Parliament
<p>Proposal for a Council decision empowering the Commission to contract loans for the purpose of promoting investment within the Community</p>	<p>Proposal for a decision of <u>the Budgetary Authority</u> empowering the Commission to contract loans for the purpose of promoting investment within the Community</p>
<p>having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,</p>	<p>unchanged</p>
<p>having regard to the proposal from the Commission,</p>	<p>unchanged</p>
<p>having regard to the opinion of the European Parliament,</p>	<p><u>deleted</u></p>
<p>having regard to the opinion of the Economic and Social Committee,</p>	<p>unchanged</p>
<p>whereas economic activity, employment and investment in the Community are unevenly distributed and are all too low;</p>	<p>unchanged</p>
<p>whereas, in order to stimulate <u>economic activity</u> and support common policies, the <u>financing scheme, set up under Council Decision 78/870/EEC</u> with a view to making an additional contribution to investment promotion in the Community <u>should be pursued and strengthened</u>, alongside existing Community financial institutions and bodies, whose scope should be widened;</p>	<p>unchanged</p>
<p>whereas Community action to this end would have a real spill-over impact and financial impact far beyond its apparent size, <u>thus promoting the convergence of member countries' economic trends</u>;</p>	<p>unchanged</p>
<p>whereas plentiful finance can be found on the capital markets which could be tapped to finance investment within the Community;</p>	<p>unchanged</p>
<p>whereas the Community has a credit-worthiness in its own right which must be used to best advantage to reinforce European support for the said investments and to support policies decided on at Community level;</p>	<p>unchanged</p>
<p>whereas the European Investment Bank has stated that it is willing to contribute to the implementation of this Decision;</p>	<p>unchanged</p>

Commission proposal	Amendments proposed by the European Parliament
HAS DECIDED AS FOLLOWS:	
Article 1	Article 1
<p>The Commission is hereby empowered to contract, on behalf of the European Economic Community, loans whose proceeds shall be lent to finance investment projects which contribute to the greater convergence and integration of the economic policies of the Member States.</p>	unchanged
<p>These projects must help attain the priority Community objectives in the energy, industry and infrastructure sectors, taking account inter alia of the regional impact of the projects and the need to combat unemployment.</p>	
<p>This mechanism may be used on its own or in conjunction with other Community financing instruments.</p>	
Article 2	Article 2
<u>Loans shall be activated in tranches.</u>	unchanged
<p>The Council, acting by a qualified majority, on a proposal from the Commission, and after consulting the European Parliament, shall authorize each tranche and lay down the guidelines for the eligibility of projects.</p>	<p>The Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament <u>not only on the tranches to be authorized but also on the policies for which loans may be contracted</u>, shall authorize each tranche and lay down the guidelines for the eligibility of projects.</p>
<p>The Commission shall decide whether or not projects are eligible in accordance with the guidelines thus laid down.</p>	unchanged
<p>The Commission shall borrow on the capital markets within the limits of the tranches authorized. A single borrowing may be used to finance loans for different objectives.</p>	unchanged
	<p><u>This procedure shall be of a provisional nature pending settlement of the question of the budgetization of Community loans.</u></p>

Commission proposal

Amendments proposed by the
European Parliament

Article 3

Connected borrowing and lending transactions shall be denominated in the currencies of the borrowing transactions.

Lending terms for reimbursement of the principal and the rate and payment of interest shall be fixed in such a way as to cover the costs and expenses of both the borrowing and lending side of each transaction.

Article 4

The terms of loans to be contracted shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration and other financial aspects of the loans to be granted. Funds borrowed shall be deposited with the European Investment Bank to be invested on a temporary basis if necessary.

Article 5

A mandate shall be given to the Bank to grant loans in pursuance of this Decision. The Bank shall carry out transactions under this mandate on behalf of, for and at the risk of the Community. Loan requests shall be forwarded to the Bank either directly or through the Commission or a Member State. After a Commission decision on the eligibility of each project pursuant to Article 2 the Bank shall, in accordance with the procedures laid down in its Statute and its usual criteria, examine these requests, decide whether and on what terms to grant the loans, and administer them.

The mandate given to the Bank shall be embodied in a cooperation agreement between the Commission and the Bank.

Article 3

unchanged

Article 4

The terms of loans to be contracted shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration and other financial aspects of the loans to be granted.

(second sentence deleted)

Article 5

A mandate shall be given to the Bank to grant loans in pursuance of this Decision. The Bank shall carry out transactions under this mandate on behalf of, for and at the risk of the Community. Loan requests shall be forwarded simultaneously to the Commission and to the Bank either directly or through a Member State. After a Commission decision on the eligibility of each project pursuant to Article 2, the Bank shall, in accordance with the procedures laid down in its Statute and its usual criteria, examine these requests and forward to the Commission within the time limit laid down its reasoned opinion on the granting of the loan requested. After taking note of this opinion, the Commission shall decide whether and on what terms to grant the loan. The Bank shall administer the loan.

unchanged

Commission proposal

Amendments proposed by the
European Parliament

Article 6

The Commission shall annually inform the Council and Parliament of receipts and expenses resulting from borrowing and lending transactions. In the light of this information, the Council may carry out an assessment of the general operation of the mechanism set up by this Decision.

Article 7

For the purposes of this Decision the European unit of account (EUA) shall be that defined by the Financial Regulation applicable to the general budget of the European Communities.

Article 6

The Commission shall annually inform the Council and Parliament of receipts and expenses resulting from borrowing and lending transactions. In the light of this information, the Council and the European Parliament may carry out an assessment of the general operation of the mechanism set up by this Decision.

Article 7

unchanged

EXPLANATORY STATEMENT

1. The Council consulted the European Parliament on 11 November 1980 on a proposal for a decision empowering the Commission to contract loans for the purpose of promoting investment within the Community..
2. This borrowing facility (usually called NCI: New Community Instrument) was created by a Council decision of 16 October 1978.

On 14 May 1979 the Council decided that the first tranche of loans totalling 500 m EUA should be floated.

On 22 July 1980 the Council decided that a second tranche of 500 m EUA should be floated.

3. The Commission text under consideration seeks to:
 - present to the Council and Parliament a report on the experience obtained since the instrument was introduced¹,
 - propose changes to certain aspects of the instrument in the light of this experience.

I. OPERATION OF THE NCI

4. The NCI was created to allow the EEC to use its borrowing capacity on the international market to raise capital to be on-lent for investment in certain key sectors of the economy (energy, infrastructures, industry) in order to combat unemployment, low investment levels and the inadequate convergence of the economies of the Member States.
5. By 1 October 1980 contracts for loans totalling 392 m EUA (of which 277 m EUA in 1979) had been signed².

¹ See Article 6 of the decision of 16 October 1978

² See the first report on the activities of the NCI forwarded to Parliament on 16 April 1980 (Doc. COM(80) 192 final)

Further loans totalling 336 m EUA are currently at an advanced stage of preparation.

Economic and geographical breakdown of loans contracted:

		Number of loans	Amount (million EUA)
Energy:			
- alternative sources		6	163.9
- transport		2	58.8
- exploitation of Community hydrocarbons resources		1	16.7
TOTAL		9	239.4
Infrastructure:			
- water		3	90.2
- roads		1	19.4
- telephone		2	30.4
- industrial zones		1	12.5
TOTAL		7	152.5
Geographical breakdown:			
		Development regions	Others
Ireland	101.1	101.1	0
Italy	185.5	106.3	79.2
United Kingdom	105.3	105.3	0

The Commission points out that:

- most of the NCI loans have been used to co-finance projects in which the EIB was already involved;
- the loans were concentrated on a limited number of projects (notably 6 in Ireland and 2 in the United Kingdom); in some cases the 3% interest subsidies provided for in the budget as part of the additional measures adopted in connection with the EMS were granted;
- 60% of the loans were for projects in the energy sector, 40% for infrastructures; although the industrial sector is specifically mentioned in the basic decision no industrial loans have been granted;
- some 30,000 temporary jobs have been created as a result of the investments financed by NCI/EIB operations;

- administration of borrowing/lending operations has been made more difficult by the 'back-to-back' system, which compels the Commission to conclude contracts in respect of loans before funds are borrowed;
- cooperation with the EIB has not impaired the Commission's ability to exercise its responsibilities in determining policy guidelines for the NCI.

II. FUTURE OUTLOOK AND THE COMMISSION'S PROPOSALS

8. The Commission considers that the private sector and the national authorities should play a major role in the promotion of investment. However the Community has a contribution to make, particularly in its capacity as an international borrower: intervention by the Community authorities often improves the balance of the various financing projects planned at national level.
9. The Commission believes that:
- the NCI must become a continuous and permanent Community activity;
 - it must be extended to include the industrial sector;
 - the budgetization of borrowing and lending as proposed by the Commission in 1977 also applies to the NCI.
10. The Commission therefore proposes amending the basic decision of 16 October 1978, notably in the following respects¹:
- by abolishing the overall ceiling of 1,000 m EUA;
 - by abandoning the concept of successive tranches and instead allowing more than one tranche to be authorized simultaneously, each for a specific sector of the economy;
 - by authorizing the tranches by decision of the Council adopted by a qualified majority (instead of unanimously as hitherto).

¹ See comparative table attached

III. RÉSUMÉ OF PARLIAMENT'S OPINION ON THE BASIC DECISION

11. When the NCI was created in 1978, Parliament invoked the conciliation procedure with the Council to impress upon the latter its views on the proposed new instrument. In its initial opinion of 12 April 1978 Parliament proposed a number of amendments to the proposal for a decision aimed at:

- eliminating the concept of borrowing/lending tranches being authorized one after the other by the Council; Parliament considered that the Commission should be free to decide for itself the number and amounts of operations to be financed within the overall ceiling of 1,000 m EUA;
- giving the Commission greater responsibility for the administration of the instrument, notably in its dealings with the EIB, whose role would be limited to providing an evaluation of the financial guarantees of projects and administering the loans; the Commission alone would be responsible for receiving applications and authorizing loans;
- guaranteeing complete budgetization of the instrument.

The Commission refused to agree to the bulk of Parliament's amendments although it did make some minor changes to its proposals.

12. Following three meetings of the Parliament/Council Conciliation Committee¹, the Parliament delegation abandoned for the time being its attempts to secure acceptance of its amendments although it did obtain satisfaction on the following points:

- the permanent character of the NCI was to be confirmed after a two-year period, at which time Parliament's demands would be reconsidered;
- the budgetization of borrowing activities would be fully applied to the NCI;
- cooperation between the Bank and the Commission would be based on a harmonious and balanced relationship.

13. On 25 April 1979 and 12 March 1980 Parliament approved the floatation of the first and second tranches of the NCI, restating its views on budgetization at the same time and instructing the Committee on Budgets to monitor the implementation of operations financed from these tranches.

¹ 19 June, 18 September and 16 October 1978.

IV. COMMENTS OF THE COMMITTEE ON BUDGETS

14. Let it be said straight away that both the review of experience with the NCI and the explanatory statement on the proposed changes are singularly concise - as was the case for the basic decision and the first two tranches. In an area as important as this, Parliament is surely entitled to obtain more detailed information from the Commission.

The comments of the Committee on Budgets relate to the following points:

1. Permanent nature of the NCI

15. The Committee on Budgets welcomes the Commission's proposal to make the NCI a permanent Community instrument; this is in line with the wishes expressed by the Assembly in its initial opinion. The Committee on Budgets believes that the newly-established permanence of this new borrowing instrument can only increase the confidence of lenders and create interest among potential beneficiaries while enabling the Community to operate continuously in this field.

2. Abolition of the ceiling and changes to the tranche system

16. Under the present system borrowing/lending operations are limited to a maximum of 1,000 million EUA to be activated in a series of tranches (in practice two tranches, each of 500 million EUA, were activated in 1979 and 1980 respectively).

17. The Commission feels that as the NCI is to become a permanent feature the ceiling is no longer justified. It also considers that it would be advisable to retain the tranche system but to make them more specialized so that instead of approving one large tranche totalling 500 million EUA two or three tranches of 160 or 250 million EUA might be floated each covering a particular sector (e.g. data processing, waterway infrastructures and solar energy); these tranches could be approved simultaneously and not necessarily one after the other. As before, each tranche would be floated following a Council decision - adopted by qualified majority and no longer unanimously as under the present arrangements.

18. The Committee on Budgets can agree in principle to this proposal, which it considers more orthodox from the budgetary point of view and more suited to real needs. At the same time it has reservations about the following points:

- from the outset the Commission proposed that the Council should authorize borrowing/lending tranches by qualified majority but the Council refused to abandon the principle of unanimity;
- while abolition of the overall ceiling on borrowing/lending operations is desirable, the Commission must give some indication of the overall volume of planned NCI operations, for example in a three-year forward forecast¹. The budgetary authority must have some idea of the planned scale of operations and their annual growth must be capable of being monitored if only in connection with the guarantee in the annual budget of the Communities;
- the tranche system obviously leaves the Council the final say on borrowing/lending decisions, a fact which was criticized by Parliament when the basic decision was adopted; it would be an illusion, however, to think that one could abolish both the overall ceiling and the tranches. The Committee on Budgets could therefore accept the new system of tranches proposed by the Commission provided Parliament, which would be consulted on the floatation of each tranche, could use this opportunity to make known its views on the volume and purpose of the proposed operations, using the conciliation procedure if necessary.

3. Extending the NCI to the industrial sector

19. The Committee on Budgets is in favour of using the NCI to promote investment in the Community's industries. It notes that the basic decision makes provision for this but that the Commission has so far put forward no proposals to this effect (which the Council would probably have rejected).

It is for the Committee on Economic and Monetary Affairs, which has been asked for an opinion, to comment more fully on this point.

4. Making the back-to-back system more flexible

20. At present the sums borrowed in respect of each operation must correspond exactly to the amount of loans contracted. The Commission's borrowings on the capital markets are therefore a function of its commitments to the final borrowers.

¹ The Committee on Budgets ad hoc working party on the Community's own resources considered that the Community's borrowing/lending capacity (excluding the EIB) should be progressively increased until its annual volume reached 5,000 million EUA. This means that the target annual volume of NCI operations should be around 3,000 million EUA (the other 2,000 million to be reserved for ECSC and Euratom operations) (see PE 64.634/fin. page 63).

21. The Commission proposes abolishing this requirement¹, at least in part, so as to give it some room for manoeuvre in its borrowing operations. Capital 'freely' raised in this way would be temporarily invested until it was used to finance loans for which contracts had been signed.

22. This system appears financially sounder than the previous one, although it should be pointed out that the basic decision requires the Commission to place all the funds it has borrowed at the immediate disposal of the Bank, which then has the responsibility of investing them until they are on-lent to the final borrower.

23. Furthermore, the new system would upset the present balance between the volume of borrowing and lending, and hence, temporarily at least, the equilibrium of the capital budget which is supposed to set out all borrowing and lending operations by the Community in a given year.

The Commission will therefore have to explain this aspect in more detail.

5. Relations between the Commission and the EIB

24. The reports submitted by the Commission² show that all NCI loans have been granted as part of joint financing operations managed by the EIB and that the aim and effect of this joint action by the Community authorities has been to improve the overall balance of the financing plans of national bodies (private or public).

25. As Parliament originally feared, it would appear that the Commission has either not succeeded or has chosen not to assign to the NCI a specific role such as the creation of jobs or the promotion of investment in those sectors hardest hit by the economic crisis.

26. It must be added that more than 85% of the interest rate subsidies (200 million EUA a year) granted in connection with the EMS have been used to subsidize loans from the Bank with the NCI loans receiving only the remaining 15%. It would seem that these subsidies were in fact granted in proportion to the volume of operations transacted whereas they should really have been concentrated more heavily on the NCI loans, which were supposed to be intended to finance operations related more directly than those of the EIB to the battle against unemployment, the revival of investment and the convergence of the national economies.

¹ Although the back-to-back system was not made compulsory in the basic decision, it would appear that the Council made this a condition for its approval of that decision.

² COM(80) 192 final and COM(80) 610 final.

The Committee on Economic and Monetary Affairs will probably wish to comment on this matter in more detail and the Commission should certainly provide further explanations.

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CONCLUSIONS

27. The Committee on Budgets approves the three main aspects of the Commission's proposal, namely:

- making the borrowing/lending instrument for investment permanent,
- abolishing the overall ceiling,
- making the tranche system more flexible.

28. Furthermore, the Committee on Budgets would endorse a major expansion of this instrument provided that:

- the Commission gives a multi-annual forecast of proposed operations;
- the Commission undertakes to promote this instrument's specific role in supporting common policies, notably by making greater use of interest rate subsidies;
- the provisions relating to the activation of tranches and the budgetization of borrowing/lending operations safeguard Parliament's right to exercise budgetary control.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr D. SCHINZEL

On 25 November 1980 the Committee on Economic and Monetary Affairs appointed Mr Schinzel draftsman.

At its meeting of 1 December 1980 the Committee on Economic and Monetary Affairs appointed Mr J. Delors draftsman in place of Mr Schinzel; it considered the draft opinion and adopted it by 14 votes in favour with 2 abstentions.

Present: Mr de Ferranti, acting chairman; Mr Deleau, vice-chairman; Mr Delors, draftsman; Mr Balfour, Mr Beazley, Mr Beumer, Mr von Bismarck, Mr de Goede, Mr Delorozoy, Miss Forster, Mr Herman, Mr Leonardi, Mr Jacques Moreau, Sir Brandon Rhys Williams, Mr Piquet, Mr Schinzel, Mr Spinelli.

1. The system of taking out loans designed to promote investment within the Community, usually referred to as the NCI - New Community Instrument, was set up by Council Decision of 16 October 1978.

Article 6 of that Decision requires the Commission to submit to the Council and the European Parliament an annual report on the experience gained during the operation of the mechanism. This year, the Commission's report is accompanied by a proposal for a decision amending certain provisions of the original decision.

I. Assessment of the operation of the NCI

(a) Borrowing transaction

2. With a view to combatting unemployment, low levels of investment and the lack of convergence, Decision 78/870/EEC of 16 October 1978 empowers the Commission to borrow, on behalf of the EEC, up to the equivalent of 1,000 million EUA in principal.

The loans are disbursed tranche by tranche. On 14 May 1979 the Council authorized the first tranche for a sum equivalent to 500 m EUA and on 22 January 1980 it authorized the balance of 500 m EUA. In both cases the loans were used to finance investment projects in the infrastructure and energy sectors.

Community loans under the NCI have been well received on the capital markets. Although the situation is somewhat strained and there has been a considerable increase in interest rates, the loans have so far been raised on relatively favourable terms.

According to the Commission's report, in 1979 the various instruments borrowing in the name of the Community accounted for 12% of the international capital market. It is important for the Community to be in a position to finance the necessary adjustments to its energy and industrial structures. In doing so, it can make a substantial contribution to the orderly recycling of capital. The surplus capital held by the oil-producing countries is estimated at \$ 115,000 million for 1980.

(b) Lending transactions

3. The effective or probable commitment of three quarters of the total capital raised indicates that there is a real demand for such loans.