

EUROPEAN PARLIAMENT

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Working Documents

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Report

drawn up on behalf of the Committee on Budgetary Control

**on improving political control over the borrowing and lending activities
of the European Communities**

Rapporteur: Mr P.-B. COUSTE

1.2.3



At its meeting of 10 March 1981 the Bureau of the European Parliament authorized the Committee on Budgetary Control to draw up a report on improving the political control of the borrowing and lending activities of the European Parliament Communities.

At its meeting of 16, 17 and 18 February 1981 the committee confirmed the appointment of Mr Cousté as rapporteur.

At its meeting of 22/23 April 1981 the committee considered and unanimously adopted the draft report.

Present: Mr Aigner, chairman; Mr Price, vice-chairman; Mr Cousté, rapporteur; Mr Alber, Mr Arndt (deputizing for Mr Orlandi), Mr Colla, Mr Gouthier, Mr Irmer, Mr Kellett-Bowman, Mr Key, Mr Notenboom, Mr Patterson (deputizing for Mr Battersby), Mr Simonnet and Mr Wettig.

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

MOTION FOR A RESOLUTION

on improving political control over the borrowing and lending activities of the European Communities.

The European Parliament,

- having regard to the discharge decision in respect of the financial year 1978,
 - whereas the discharge procedure laid down in Article 206b of the EEC Treaty and Article 180b of the EAEC Treaty covers the lending and borrowing operations referred to in the general budget of the European Communities or carried out with EDF funds,
 - whereas the information at present available to the authority responsible for granting a discharge is not sufficient to enable it to exercise its control effectively,
 - having regard to the report of the Committee on Budgetary Control (Doc. 1-175/81),
1. Points out that, pursuant to the rules in force, the Commission of the European Communities is responsible for implementing the borrowing and lending operations entered in the budget by deploying budget appropriations, including the appropriations for the EDF;
 2. Observes that the fact that the EIB assists in the actual management of certain borrowing and lending operations should in no way detract from that responsibility;
 3. Feels that the information which it currently receives on the management of borrowing and lending operations to enable it to exercise its powers of control - by checking that the management of the operations carried out has been regular and efficient and, above all, in accordance with political objectives - is fragmentary and incomplete;
 4. Calls on the Commission of the European Communities to submit to its Committee on Budgetary Control before 30 September each year a detailed report on all the borrowing and lending operations of the European Communities carried out during the previous year containing:
 - a complete survey of the overall results of the borrowing and lending activities of the Community (including the EIB),
 - a detailed analysis of the management of every instrument in any way connected with budgetized funds (including the EDF) and of the conditions prevailing on the capital market in each case.

- an analysis of the operation of the system of interest rebates covered by budget appropriations, and
 - a statement on relations between the Commission of the European Communities and the EIB;
5. Calls on the Commission to submit a comprehensive survey of the borrowing and lending operations covered in the accounts and recalls its resolution on the decision empowering the Commission to contract loans for the purpose of promoting investment within the Community¹, and calls on the Court of Auditors to devote a chapter in its annual report to an audit of borrowing and lending activities which fall within its terms of reference;
 6. Reiterates its oft-repeated demand for a borrowing and lending policy which is consistent and better integrated into the Community's budgetary policy and reaffirms, in particular, its support for the creation of a second part of the budget devoted to borrowing and lending operations;
 7. Is convinced that political control of borrowing and lending operations will contribute effectively to a more precise and more consistent definition of the Community's objectives in this sphere;
 8. Hopes to establish closer and more direct contacts with the EIB, both in respect of the evaluation of the results of financing and in respect of the coordination of the political objectives being pursued.
 9. Instructs its President to forward this resolution and the committee's report to the Council, the Court of Auditors and the Commission.

¹
Doc. 1-28/81

EXPLANATORY STATEMENT

1. During the debate on the granting of the discharge for the financial year 1978, several speakers - Members of Parliament and representatives of the Commission of the European Communities - emphasized the need to improve parliamentary control on borrowing and lending operations. This view was given formal expression in the request made by Parliament in its comments accompanying the decision granting the discharge and addressed to the Committee on Budgetary Control that a report be drawn up on procedures to ensure effective political control in this sphere.

2. These reactions were prompted by the observation that although borrowing and lending operations involved significant sums of money and were guaranteed in the budget or qualified for interest rebates, they had not hitherto been subject to thorough and systematic political control.

I. POLITICAL CONTROL AND ALLOCATION OF THE POWERS OF DECISION AND MANAGEMENT
IN RESPECT OF THE COMMUNITY'S BORROWING AND LENDING OPERATIONS

3. The provisions of the Treaties concerning responsibility for the implementation of the budget and procedures for discharging this responsibility apply to borrowing and lending operations although such operations do not involve revenue or expenditure in the conventional sense and although they are not properly budgetized as yet. Despite the latter reservations, the fact remains that the operations in question do appear in the budget and are therefore subject to budgetary authorization; they may give rise to expenditure and revenue authorized by the budget, and they are guaranteed in the budget.

4. The Commission is therefore responsible for the implementation and management of these operations, and this responsibility is assessed in particular under the procedure for granting a discharge. Nonetheless, the Commission is not the only institution involved in carrying out the operations. Firstly, because of its terms of reference, the EIB is increasingly being called upon to carry out material tasks of a banking nature, and secondly, the Member States are involved in the procedure for allocating the loans.

5. Your rapporteur has become convinced that the relationship between the EIB and the Commission, which derives from the provisions setting up or organizing the various borrowing and lending instruments and from practical experience, is not such as to limit the Commission's responsibility for carrying out the operations. The final responsibility for decisions

involving a measure of political assessment still lies with the Commission. In addition, all these operations are subject to standard Community budgetary control procedures.

6. Generally speaking, the part played by the Member States in the procedure for allocating loans is restricted to the stage when requests are submitted and consists in a simple right of veto. As a result, in a system of financing which is primarily supplementary in nature and whose role is stimulatory, the Commission remains fully responsible for selecting the projects to be financed.

II. INFORMATION FORWARDED TO THE EUROPEAN PARLIAMENT TO ENABLE IT TO EXERCISE ITS POWER TO GRANT A DISCHARGE AND ITS POWERS OF POLITICAL CONTROL

7. As regards the procedure for granting a discharge in the strict sense of the term the only information available to Parliament to enable it to monitor borrowing and lending operations, apart from a few fragmentary remarks made by the Court of Auditors in its annual report, is that contained in the revenue and expenditure accounts and financial statements.

8. In fact, Parliament does have access to a number of other documents, such as activity reports and financial reports, to enable it to exercise its political control.

Nevertheless, it is hampered in its work by the fact that this information is not centrally collated, a situation which naturally arises from the present division of responsibilities for decision and management.

What is more, the information is incomplete, and since Parliament does not, for example, have at its disposal sufficient data to compare the characteristics of borrowing and lending operations or to keep a watch on the criteria for granting loans (except on the basis of statistics), it generally has no way of checking the efficiency of management or the accounts of operations financed against the political objectives being pursued.

9. If it is to discharge its task of exercising political control, Parliament must be in a position to guarantee to Community taxpayers not only that the operations are in order and efficiently managed but also that the results of the financing are consonant with the policy guidelines laid down by the Community institutions.

To this end it must have the wherewithal to evaluate not only the management of each individual instrument but also the results of the Community's entire borrowing and lending policy.

10. These conditions could be met if the Commission were to submit an annual report, once it had all the information at its disposal, containing:

- A. An overall summary of the results of the borrowing and lending policy of the Community, including the EIB, showing in particular
 - the total amount of financing, the financial situation, trends and characteristics,
 - a breakdown of financing by economic sectors as a whole and for the year,
 - a breakdown of financing by region (or by non-Community country) as a whole and for the year.
- B. An analysis of the annual management of each instrument utilizing Community funds (budgetized or EDF) guaranteed in the budget or qualifying for interest rebates financed from budget appropriations.
- C. An analysis of the management of budget appropriations earmarked for interest rebates.
- D. A report on cooperation at various levels between the EIB and the Commission.

11. On 22 January 1981 the Commission forwarded to the European Parliament a report on the Community's borrowing and lending operations (COM(81) 8 final). At the meeting of the Committee on Budgetary Control of 18 March 1981 the Commission's representative announced its intention to forward to Parliament on the date proposed above, viz. 30 September of the following year, a single report covering all borrowing and lending activities and containing the information requested by Parliament.

The Committee on Budgetary Control welcomed this intention and pointed out that a report of this kind was essential if Parliament was to carry out its duties with regard to budgetary control. After considering the content of the report, the committee noted that the Commission had made an interesting attempt at providing a comprehensive view of all the Community's borrowing and lending operations.

However, in addition to the information referred to in the preceding paragraph, it would be helpful if future annual reports of the Commission went beyond mere description and included more analysis and criticism. Nevertheless the main contribution in this regard must remain the province of the Court of Auditors.

III. THE ROLE OF THE EIB IN THE FINANCIAL AND BUDGETARY POLICY OF THE COMMUNITIES

12. The EIB was set up under the Treaty of Rome. As an independent public-law institution within the Community, its task (laid down in Article 130 of the EEC Treaty) is to contribute on a non-profit-making basis to the steady development of the Community. To this end it finances by means of long-term loans from its own resources, which it procures principally on the capital market, public or private investment contributing to regional development, the conversion of undertakings, and the development of new activities or projects of common interest to several Member States or to the Community as a whole.

13. However, apart from these independent activities it cooperates in various ways with the other Community institutions:

- from its own resources it finances the Community's external investments under various financial cooperation agreements (Greece, Turkey, ACP, Maghreb, Mashrek, Israel, Cyprus),
- as the Community's representative it administers special loans financed from the budget (including EDF) also granted under financial cooperation agreements,
- as an agent it appraises and administers Euratom loans decided upon by the Commission,
- as the Community's representative it grants loans to projects selected by the Commission from the resources of the New Community Instrument.

14. The Bank's share in the Community's financial activities is constantly increasing. New financing in 1979 exceeded 3,000 million EUA, i.e. a 40% increase over the previous year. Although its activities involve slightly less than one-fourth of the funds entered in the general budget of the Community, we must bear in mind that 70% of that budget is devoted to agricultural expenditure and that expenditure on structural objectives accounts for only a small part thereof. We may, therefore, say that the EIB administers more than half of the funds devoted to structural purposes.

15. To the extent that Parliament considers that it has particularly important responsibilities for decision-making and control in the sphere of the Community's financial and budgetary policy, it must improve its contacts with the Bank, from the points of view both of evaluating the results of financing and of coordinating the political objectives being pursued.

Community borrowing and lending activityVolume of financing

m EUA

	1978	1979
E I B	2,140.4	2,702.1
E C S C	797	675.8
E D F	235.6	144.2
Eximbank	-	-
Community borrowing	-	-
Euratom borrowing	73	151.8
N C I	-	277
Total	3,246.0	3,950.9
General budget of the Communities (payments)	10,733	12,925

Borrowing and lending activities of the
European Community in 1979
broken down by economic sector

m EUA

	EIB	ECSC	EDF	EURATOM	NCI	TOTAL
Energy	785.9	275.3	-	151.8	124.8	1,337.8
Communications and infrastructures	32.3	-	-	-	-	32.3
Regional development	1,570.6	-	-	-	152.2	1,722.8
Industry	121.2	378.8	-	-	-	500
Social	-	21.6	-	-	-	21.6
Miscellaneous	12.5	-	-	-	-	12.5
External financing	420.9	-	144.2	-	-	565.1
Total	2,702.1	675.8	144.2	151.8	277	4,192.1