

EUROPEAN PARLIAMENT

# Working Documents

1981 - 1982

3 June 1981

DOCUMENT 1-266/81

## Report

drawn up on behalf of the Committee on Budgets

**on the proposal from the Commission of the European Communities to the Council (Doc. 1-131/81) for a financial regulation on the application of the Agreement in the form of an exchange of letters between the European Economic Community and the Portuguese Republic concerning the implementation of pre-accession aid for Portugal**

**Rapporteur: Mr F. TUCKMAN**

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By letter of 7 April 1981 the President of the Council of the European Communities requested the European Parliament to deliver its opinion on the proposal from the Commission of the European Communities to the Council for a financial regulation on the application of the Agreement between the European Economic Community and the Portuguese Republic concerning the implementation of pre-accession aid for Portugal.

On 10 April 1981 the President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible.

On 12 May 1981 the Committee on Budgets appointed Mr TUCKMAN rapporteur.

At its meeting of 26 May 1981 the committee considered the Commission's proposal for a regulation and the motion for a resolution. It endorsed, by 14 votes to 1, a draft amendment to the proposal for a regulation, which it then unanimously approved. Finally, it adopted the motion for a resolution by 13 votes to 2.

Present: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mr Tuckman, rapporteur; Mr Adonnino, Mr Arndt, Mr Balfe, Mr Barbi, Mr Bonde, Mrs Boserup, Mr Flanagan, Mr Forth, Mr Gouthier, Mr Nord, Mr Price (deputizing for Mr R. Jackson), Mrs Pruvot (deputizing for Mr Rossi), Mrs Scrivener and Mr Simonnet

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

27 May 1981

AMENDMENT

tabled by the Committee on Budgets

Report by Mr TUCKMAN - Doc. 1-266/81

Financial regulation re Portugal

Proposal for a regulation

Article 7

Amend this Article as follows:

'The draft financing decisions shall be submitted to the Commission. After receiving the opinion of the Article 5 Committee, the Commission shall adopt decisions which shall apply immediately.'

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 financial regulation on the application of the Agreement in the form of an exchange of letters between the European Economic Community and the Portuguese Republic concerning the implementation of pre-accession aid for Portugal

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 127 final),
  - having been consulted by the Council (Doc. 1-131/81),
  - having regard to the report of the Committee on Budgets (Doc. 1-266/81),
1. Welcomes the proposal for a financial regulation on pre-accession aid from the Community to Portugal;
  2. Is astonished, however, that the Commission proposes the creation of a committee of representatives of the Member States with the power of veto to defer the implementation of the appropriations concerned; considers, moreover, that the provisions of Articles 2 and 11 of the proposal for a regulation concerning the management of certain appropriations by the European Investment Bank are without prejudice to the supervisory powers of the Court of Auditors;
  3. Requests the Commission therefore to amend its proposal for a regulation so as to give the committee referred to in Article 5 thereof advisory powers only;
  4. Reserves the right, in the light of the reaction of the Commission and the Council and of whether the commitments made to Portugal are respected, to have recourse to the conciliation procedure;
  5. Instructs its President to forward to the Commission and the Council the amended text of the Commission's proposal and the text of this resolution.

EXPLANATORY STATEMENT

1. By letter of 7 April 1981 the Council requested Parliament to deliver an opinion on a proposal for a financial regulation on the application of the provisions of the EEC - Portugal Agreement on pre-accession aid to Portugal.

2. This agreement was signed on 3 December 1980; on 19 December 1980 Parliament delivered an opinion <sup>1</sup> on the proposal for a Council regulation on the implementation of aid, a regulation which was adopted by the Council on ... 18 December 1980<sup>2</sup>.

The proposal before Parliament now concerns the financial rules which are to govern the implementation of Community aid.

PRE-ACCESSION AID TO PORTUGAL

3. Initially the Commission had proposed that Portugal be granted specialized aid for small and medium sized undertakings in that country; Parliament indeed delivered a favourable opinion on this proposal on 14 March 1980<sup>3</sup>. In the course of negotiations, however, it appeared preferable to organize a system of general aid which was the subject of the agreement of 3 December 1980.

4. The content of the agreement of 3 December 1980 can be summarized briefly:

- the Community grants Portugal overall aid of 275m ECUs to run from 1980 until Portugal's accession to the Community,
- these 275m ECUs are allocated as follows:
  - . 150m ECUs in EIB loans of which 125m ECUs in subsidized loans at a rate of 3%,
  - . 125m ECUs in subsidies by the EEC budget of which :
    - 25m ECUs to subsidize EIB loans
    - 100m ECUs to finance technical cooperation measures.

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<sup>1</sup> Resolution of 19 December 1980 on report by Mr Filippi (OJ No. C 346/101, 31.12.1980)

<sup>2</sup> Council Regulation (EEC) No. 3323/80 of 18 December 1980 (OJ L 349/1, 23.12.1980)

<sup>3</sup> Resolution of 14 March 1980 on report by Mr Filippi with favourable opinion of the Committee on Budgets (OJ No. C 85/80, 8.4.1980)



## THE FINANCIAL REGULATION

5. This regulation is modelled on those proposed by the Commission in the Financial Protocols signed in 1978 with 10 Mediterranean countries.

6. The main provisions are as follows:

- the Commission administers the appropriations for the financing of aid (100m EUA) and gives the Bank a mandate to administer the interest rate subsidies for loans (25m EUA) (articles 2 and 3),
- two committees are set up to supervise the administration of aid and the administration of interest subsidies (articles 5 and 8),
- these two committees have the right of a veto to defer application of decisions and the right of appeal to the Council of Ministers (or to the Board of Governors of the Bank) on all financing decisions proposed by the Commission (articles 7, 9 and 10).

## OBSERVATIONS OF THE COMMITTEE ON BUDGETS

7. The provisions of the financial regulation for Portugal proposed by the Commission are practically identical to the implementing provisions for the Mediterranean countries. The entry into force of these financial regulations has been delayed since 1978 because of the disagreement which has arisen between the Council and Parliament on the powers of the Management Committees proposed by the Commission. These agreements have however entered into force on an 'ad hoc' basis. Most of them expire on 31 October 1981 and will have to be renegotiated very soon by the Community.

### The problem of the management committees

8. The Committee on Budgets and Parliament have been opposed for several years to committees composed of representatives of governments being granted the power to block financing decisions proposed by the Commission for the implementation of agreements. Parliament feels that according to the Treaty the Commission has sole responsibility for implementing the budget and that this implementation cannot be prevented or altered by Council decisions taken as a result of a veto in the management committees.

9. This question was the subject of a long conciliation procedure during the adoption of the regulation on aid to non-associated developing countries. However, on 20 February 1981 the Council unilaterally adopted this regulation taking a position which in practice sanctions this power of veto of the management committees and of the Council itself over the implementation of appropriations entered in the budget.

10. It should be noted however that in a letter to Parliament <sup>1</sup>, the Council has specified that the solution adopted for the Committee on aid to the non associated developing countries would not constitute a precedent for other regulations particularly for financial regulations in the framework of cooperation agreements with the Mediterranean countries.

11. It should also be pointed out that the Commission on several occasions has formally informed Parliament that in future all committees which it proposed would have purely consultative powers <sup>2</sup>.

12. It is therefore astonishing that the second paragraph of Article 7 of the proposal for a regulation on the provisions for the implementation of the EEC/Portugal agreement once more gives a management committee a right to defer application of decisions. This article stipulates:

' The Commission shall adopt decisions which shall apply immediately. However, if the committee has not delivered a favourable opinion, these decisions shall forthwith be communicated by the Commission to the Council. In that event, the Commission shall defer application of the decisions which it has adopted for not more than two months from the date of such communication. The Council, acting by a qualified majority, may take a different decision within two months.'

#### CONCLUSIONS

13. In its letter of 7 April 1981 consulting Parliament, the Council asks Parliament to deliver its opinion as early as possible (May part-session) in order to avoid a legal vacuum in the implementation of the agreement of pre-accession aid to Portugal, which was signed on 3 December 1980 and which was to enter into force on 1 January 1981.

14. The Committee on Budgets is therefore faced with the following alternative:  
- either to reject formally the Commission's proposal (as regards the powers of the management committees) and request the opening of a conciliation procedure (since this is a financial regulation it has the right to do this). In this case the legal vacuum referred to by the Council is liable to occur unless the agreement can be implemented on an 'ad hoc' basis as was done for the provisions implementing the financial protocols with the Mediterranean countries,

<sup>1</sup> PE 72.262

<sup>2</sup> See written statement by the Commission of 8 August 1978 (PE 56.170, page 15):  
' ... consequently, the Commission reaffirms the principle that, in future, pursuant to Article 205 of the EEC Treaty, the objective to be pursued in all cases in which it is to be assisted by committees for implementing the various policies is to make them purely advisory.'

- or to accept the Commission's proposal in order not to delay the full implementation of the EEC/Portugal agreement on a satisfactory legal basis - but thus abandon its attempts to sustain Parliament's objections in principle.

15. The Committee on Budgets comes down in favour of a compromise solution:

- it approves the Commission's proposal and asks it to amend Article 7 on the Committee,
- it also asks the Commission to clarify the question of the 'ad hoc' procedure which in the past operated in the absence of a financial regulation on the application of cooperation agreements,
- it reserves the right to have recourse to conciliation in the light of action taken on its requests by the Commission and the Council but also in the light of the interests of the beneficiary of Community aid.

