
EUROPEAN PARLIAMENT

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DOCUMENT 93/78

Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the
European Communities to the Council (Doc. 44/78)
for a regulation on the application of the
provisions of the ~~Financial~~ Protocols concluded
with Greece, Turkey and Portugal

Rapporteur : Mr J-M. CARO

1.2.6

By letter of 3 April 1978 the President of 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 application of the provisions of the Financial Protocols concluded with Greece, Turkey and Portugal.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on External Economic Relations for its opinion.

On 27 April 1978 the Committee on Budgets appointed Mr CARO rapporteur.

It considered this proposal at its meeting of 27 April.

At the same meeting the committee unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Bangemann and Mr Cointat, vice-chairmen; Mr Caro, rapporteur; Mr Amadei, Mrs Dahlerup, Mr Dalyell, Mr Dankert, Mr Früh, Mr Radoux, Mr Ripamonti, Mr Ryan, Mr Schreiber, Mr Scott-Hopkins, Mr Shaw, Mr Spinelli and Mr Würtz.

The opinion of the Committee on External Economic Relations is attached.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	9
Opinion of the Committee on External Economic Relations ...	17

A

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

MOTION FOR 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 application of the provisions of the Financial Protocols concluded with Greece, Turkey and Portugal

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(78) 18 final and COM(78) 104 final),
- having been consulted by the Council (Doc. 44/78),
- having regard to the report of the Committee on Budgets and the opinion of the Committee on External Economic Relations (Doc. 93/78),

As regards the division of responsibility between the EIB and the Commission for the administration of aid financed by the Community budget

1. Reminds the Commission of the views expressed by Parliament in its previous resolutions of July 1977¹, namely that:
 - (a) even for budgetized aid administered directly by the EIB, the Commission retains general responsibility for the implementation of the budget (as provided for in Article 205 of the EEC Treaty and the Financial Regulation) and must report thereon both to the budgetary authority and to the discharge authority;
 - (b) the EIB must report to the Commission on the administration of budgetized aid so that the Commission may in turn report regularly to Parliament and the Committee on Budgets;
2. Considers that in future, recourse to the general administrative mandate conferred on the EIB by the Commission will have to be replaced by the Bank's own technical aid machinery - notably for the administration of the appropriations in the 5th EDF following their budgetization;

¹See Parliament's resolutions on
- the application of the Financial Protocol with Malta (OJ No. C 183/10, 1.8.1977)
- the application of the Financial Protocol with the Maghreb countries (OJ No. C 183/64, 1.8.1977).

As regards the role of the management committees

3. Recalls that the role of the management committees required to give their opinion on draft financial proposals must in no way infringe the Commission's powers and responsibilities in respect of the implementation of the budget¹;
4. Believes therefore that the procedure proposed by the Commission in the two proposals for regulations² on the application of the financial protocols concluded with most of the Mediterranean countries must be modified, with a view to ensuring that the role of these committees is simply to provide information and advice;

As regards the ratification of the financial protocols

5. Notes that it has not been possible to implement any of the financial protocols signed since 1976 with the Mediterranean countries, mainly because the Member States have been slow to ratify them;
6. Takes the view that the ratification of such protocols by the Member States is in no way mandatory under Community law, since provision has been made, since 1976, for their financing by the Community budget;
7. Requests the Commission, therefore, to bring these protocols into force as soon as the implementing regulations, which form the subject of this report, have been adopted;

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8. Calls upon the Commission to adopt the attached amendments to the two proposals for regulations under consideration;
9. Reserves the right to invoke the conciliation procedure should the Council propose to depart from this opinion.

¹ See Parliament's resolutions on

- the application of the Financial Protocol with Malta (OJ No. C 183/10, 1.8.1977)
- the application of the Financial Protocol with the Maghreb countries (OJ No. C 183/64, 1.8.1977).

² Proposals for regulations on the application of the

- Financial Protocols concluded with the Maghreb and Mashrek countries and with Malta and Cyprus (COM(78) 18 final)
- Financial Protocols concluded with Greece, Turkey and Portugal (Doc.44/78)

Amended proposal for a Council regulation (EEC)
on the application of the provisions of Protocol No. 1
to the Cooperation Agreements concluded with Algeria, Morocco and Tunisia

Preamble, recitals and Articles 1 to 7 unchanged

The second paragraph of Article 8
is amended to read as follows:

'The Commission shall adopt
decisions which shall apply immediately.
However, if the Committee has not deli-
vered 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 communications.

The Council, acting by qualified
majority, may take a different decision
within two months.'

The second paragraph of Article
8 is amended to read as follows:

'Having received the opinion
of the Article 6 Committee, the
Commission shall adopt decisions
which shall apply immediately.'

Deleted

Articles 9 to 11 unchanged

¹ For full text see COM(78) 18 final

Proposal for a Council regulation on the application
of the provisions of the Financial Protocols concluded
with Greece, Turkey and Portugal

Preamble, recitals and Articles 1 to 6 unchanged

Article 7

The draft financing proposals referred to in Article 6, together with the Opinion of the Article 5 Committee, shall be submitted to the Commission for its decision.

The Commission shall take decisions and they shall be immediately applicable. However, should the Committee not deliver a favourable opinion, the Commission shall communicate its decisions to the Council forthwith.

In that event, the Commission shall defer by not more than two months from the date of such communication the application of the decisions which it has taken.

The Council, acting by a qualified majority, may take a different decision within two months.

Article 7

Unchanged

Having received the opinion of the Article 5 Committee, the Commission shall take decisions and they shall be immediately applicable.

Deleted

Deleted

Articles 8 to 11 unchanged

¹ For full text see COM(78) 104 final

EXPLANATORY STATEMENTINTRODUCTION

1. In 1976 and 1977 the Community concluded a series of trade agreements and financial protocols with each of the Mediterranean countries¹.
2. The European Parliament was duly consulted and delivered its opinion on each of the Council regulations concluding these agreements and protocols.
3. In March/April 1977 the Commission forwarded to the Council two proposals for regulations adopting the implementing regulations required to give effect to the financial protocols concluded with Malta and the Maghreb countries².
4. At its July 1977 part-session Parliament delivered an opinion on these two proposals³.
5. In March 1978 the Commission informed Parliament that it intended to amend these two proposals in order to combine in a single proposal all the implementing measures that applied, not only to Malta and the Maghreb countries, but also to the Mashreq countries (Egypt, Lebanon, Jordan and Syria) and to Cyprus. The Commission took the view that, as this amended proposal covered the same ground as its original proposal of March 1977, there was no need to ask Parliament for a further opinion.
6. On 17 March 1978, the Commission forwarded to the Council a proposal for a regulation on the application of the provisions of the financial protocols concluded with three other Mediterranean countries, namely Greece, Turkey and Portugal. The Commission considered it necessary to formulate a special implementing regulation in respect of these three countries, in view of the fact that they had already benefited from a measure of financial cooperation with the Community and expected, moreover, to be eligible for accession to the Community in the not too distant future. Hence, it was deemed essential to introduce a more flexible financial mechanism than that which applied to the other Mediterranean countries.

The proposed regulation in question, which forms the subject of this report by the Committee on Budgets, was referred to Parliament on 3 April 1978.

¹ 14 countries in all (see table on page 16)

² Doc. 101/77 and Doc. 81/77

³ OJ No. C 183, 1.8.1977, pages 10 and 64

RECAPITULATION OF THE VIEWS EXPRESSED BY PARLIAMENT IN ITS EARLIER OPINIONS

7. In its resolutions of July 1977 on the application of the financial protocols with the Maghreb countries and Malta¹, Parliament expressed a number of reservations and suggested various amendments to the Commission's proposal.

8. The reservations expressed by Parliament were as follows:

- it noted that responsibility for financing most of the aid granted, and in particular for the administration of low interest rate loans, had been entrusted to the EIB, despite the fact that since 1976, and at Parliament's request, appropriations earmarked for cooperation purposes had been entered in the budget, which the Commission itself is required to implement pursuant to Article 205 of the EEC Treaty;
- furthermore, Parliament was shocked to find that the technical financing projects submitted by the recipient states could be accepted by the Commission only with the consent of the ad hoc Committee, and that if the latter were to withhold its agreement, the final say on the financing of such projects rested with the Council.

9. On the basis of the reports submitted by the Committee on Budgets, Parliament did not, however, propose any substantive amendments to the Commission's texts. It merely called for a few minor modifications and the inclusion in the proposal for a regulation of a reference to Article 205 of the EEC Treaty.

10. Nevertheless, the rapporteurs of the Committee on Budgets emphasized, both in the explanatory statements to their reports and during the debates in plenary sitting, that:

- the Commission retained responsibility for the administration of aid financed directly by the budget, even if it were to delegate some administrative tasks to the EIB,
- the procedure giving ad hoc committees a power of suspensive veto was open to criticism and should be the subject of a general debate with the Council under the conciliation procedure.

¹ See Parliament's resolutions on

- the application of the Financial Protocol with Malta (OJ No. C 183/10, 1.8.1977)
- the application of the Financial Protocol with the Maghreb countries (OJ No. C 183/64, 1.8.1977).

11. It should be noted that, in the amended version of its proposal (extended to cover the Mashreq countries and Cyprus), the Commission has incorporated virtually all the amendments requested by Parliament, with one notable exception, viz. the reference to Article 205 (implementation of the budget by the Commission).

In addition, the Commission has substantially modified the procedure whereby the ad hoc Committee and the Council may block a financing project submitted to the Commission by a third country. The new procedure proposed is as follows:

- financing decisions by the Commission are 'immediately applicable',
- if the Committee declines to give a favourable opinion, the Commission may defer its decisions for a maximum period of two months, during which the Council may take a different decision by a qualified majority,
- in the absence of a decision by the Council within this time limit, the decision of the Commission is applicable.

ANALYSIS OF THE PROPOSAL FOR A REGULATION ON THE FINANCIAL PROTOCOLS WITH GREECE, TURKEY AND PORTUGAL

12. This proposal is broadly similar to the one applicable to the other Mediterranean countries referred to above already studied by Parliament. Attention should be drawn, however, to the following two points:

- the EIB has a general mandate to administer part of the budgetized aid; in the case of Greece, Turkey and Portugal the proportion of such aid to be administered by the Bank is higher than in the agreements with the other Mediterranean countries. The breakdown of appropriations is shown in the following table:

	<u>Total</u> EEC aid	<u>EIB loans</u> from own resources	<u>Budgetized aid</u>	
			Administered by the EIB	Administered by the EEC
GREECE	280	225	40	15
TURKEY	310	90	220	0
PORTUGAL	230	200	30	0
Total	<u>820</u>	<u>515</u>	<u>290</u>	<u>15</u>
%			95.2	4.8

- the ad hoc Committee procedure is identical to that proposed in the amended version of the agreements with the Maghreb and Mashreq countries (see point 11).

GENERAL OBSERVATIONS BY THE COMMITTEE ON BUDGETS

13. We are now in a position to take stock of the method employed for financing the agreements with the Mediterranean countries, since they have all now been signed and all the proposed implementing regulations have been forwarded by the Commission.

14. It would therefore be useful at this point to make a general assessment of these financial cooperation measures. Details of the various forms of aid to be granted to each of the countries concerned are given in the attached table, which may be summarized as follows:

- total expenditure on financial cooperation with the Mediterranean countries will amount to 1,595 m EUA over an average period of 5 years,
- 963 m EUA of this expenditure will take the form of EIB financing of loans from its own resources (approximately 60% of the above total),
- the remaining appropriations (632 m EUA, i.e. approximately 40% of the total) will be provided from the Community budget,
- this budgetized aid component (632 m EUA) will be administered jointly by the EIB and the Commission as follows:
 - . EIB 415 m EUA (65%)
 - . Commission 217 m EUA (35%)

15. To sum up, out of a total amount of 1,595 m EUA intended as Community aid for the Mediterranean countries:

- the EIB will administer 1,378 m EUA (86%)
- the Commission will administer 217 m EUA (14%)

Administration of the budgetized component of the cooperation aid

16. The overall division of responsibility for aid administration between the EIB and the Commission is largely predetermined by the cooperation agreements themselves, inasmuch as they stipulate that a substantial proportion of the aid must be distributed by the EIB. On the other hand, as far as budgetized cooperation aid is concerned, the division of administrative responsibility is established by the implementing regulations proposed by the Commission.

17. At the present stage of the procedure for the adoption of these implementing regulations - and in the light of the opinions already delivered by Parliament in July 1977 - it is difficult for the Committee on Budgets to reopen the question of the manner in which responsibility for the administration of aid financed by the Community budget is shared between the Commission and the EIB. The committee has already indicated that it finds this division of responsibility clearly out of balance (65% of the aid being administered by the EIB and 35% by the Commission), especially as the Commission has the technical facilities necessary to make a thorough assessment of the value of financing projects in most sectors (agriculture, industry, energy, etc.).

18. There is also a more general problem in that the Commission is now steadily reinforcing the EIB's 'general mandate' for the administration of certain budgetized credits or loans, thereby conferring on the Bank 'a right of inspection' in respect of the implementation of the budget, for which the Commission nonetheless has sole responsibility under the terms of Article 205 of the EEC Treaty.

The committee procedure

19. As indicated in point 11, the Commission is advocating - both in its amended proposal relating to the Maghreb and the Mashreq countries etc., and in its new proposal concerning Greece, Turkey and Portugal - a procedure for the adoption of financing projects which would enable the Council to have the last word in the event of a disagreement between the Commission and the national committees of experts.

20. The Committee on Budgets is thus once again faced with the problem of the implementation of the budget: should responsibility for its implementation be the sole responsibility of the Commission (as stipulated in Article 205 of the EEC Treaty), or is the Council to be allowed to exercise, via a power of veto over the choice of projects to be financed and, hence, over the implementation of the budget?

21. The Committee on Budgets and Parliament have on several occasions commented on this matter and have consistently argued that the national committees of experts, while playing an important role in providing the Commission with information and advice, should not be used as a means of enabling the Council to block the financing of a policy and the implementation of the budget adopted by the budgetary authority. The Committee on Budgets and Parliament take the view, moreover, that, once the budgetary authority has authorized the release of appropriations for financing a given project, the Commission must have sole responsibility for disbursements and, in

particular, for selecting the projects to be financed - while Parliament's primary function must be to exercise budgetary and political control over the utilization of the appropriations thus released.

Ratification of the financial protocols by the Member States

22. Parliament has more than once expressed deep concern at the considerable time lag caused by the need for ratification of the financial protocols by the Member States. So far, none of the protocols signed since 1976 has been ratified by all the Member States. Such delays are extremely prejudicial to the Community's relations with the third countries concerned, which have to wait several years before deriving any tangible benefit from the financial aid which the Community has undertaken to provide.

23. Moreover, the requirement that these protocols be ratified has no basis whatsoever in Community law, as is attested by an opinion delivered by the Court of Justice¹, the Council's answer to a written question by a Member of Parliament² and a statement by a Member of the Government of one of the Member States³.

24. Parliament, for its part, has always maintained that the need for financial protocols to be ratified by the Member States became superfluous as soon as responsibility for the grant of aid passed from the national exchequers to the Community budget.

25. In these circumstances, Parliament should formally call upon the Community to implement the budget and commence the relevant financing operations as soon as the regulations implementing the financial protocols have been adopted by the Council.

CONCLUSIONS

26. The Committee on Budgets has no intention, at this late stage, of reopening the question of the division of responsibility between the Commission and the EIB for the administration of the appropriations earmarked for financial cooperation purposes in the Community budget. It still believes, however, that the responsibility for administering funds from the budget must rest primarily with the Commission - on the understanding, however, that it may, in certain circumstances, call upon the Bank for technical assistance, especially for the purpose of evaluating the financing projects submitted.

¹ Opinion delivered on 26 April 1977

² Answer of 19 October 1977 to Written Question No. 396/77 (OJ No. C 277/7, 17.11.1977)

³ See Bulletin No. 19 of 31.1.1978, issued by the Luxembourg Chamber of Deputies.

The Committee on Budgets therefore has no amendments to propose to the Commission's text. It would simply reiterate the following points:

- responsibility for the implementation of the budget rests with the Commission; there can be no derogation from this rule, even if certain administrative tasks are carried out by the EIB on the basis of a general mandate conferred on it by the Commission,
- with the budgetization of the EDF fast approaching, Parliament must insist that the Commission refrain from shifting its direct responsibilities for the implementation of the budget to the Bank.

27. The Committee on Budgets cannot, however, accept the Commission's proposals for vesting the Council, via the national committees, with a power of veto over the choice of projects to be financed.

Accordingly, it proposes that appropriate amendments be made, not only to the proposal for a regulation on the application of the Financial Protocols with Greece, Turkey and Portugal, but also to the amended proposal on the application of the Financial Protocols concluded with the other Mediterranean countries, i.e. the proposal which the Commission has not formally re-submitted to Parliament.

28. Finally, the Committee on Budgets considers it essential for the appropriations already earmarked in the budget for financial cooperation with the Mediterranean countries to be utilized by the Commission as soon as the implementing regulations have been adopted, i.e. without waiting until the Protocols have been ratified by the Member States.

ANNEX

DIVISION OF ADMINISTRATIVE RESPONSIBILITIES BETWEEN THE EIB AND THE COMMISSION

RECIPIENTS	EIB RESOURCES	BUDGETARY RESOURCES						GRAND TOTAL	Proportion admin. by Comm.	Percentage of overall approps.	Percentage of budget- ary approps.
		Normal loans	Special loans			Non-refundable loans					
			Admin. by EIB	Admin. by Comm.	Total	Interest rate sub- sidies admin. by EIB	Grants admin. by Comm.				
a	b	c	d	e	f	g	h	i	j	k	l
PORTUGAL	200	-	-	-	30	-	30	230	-	-	-
MALTA	16	5	-	5	2.4	2.6	5	26	2.6	10 %	26 %
GREECE	225	10	-	10	30	15	45	280	15	5.3%	27.3%
TURKEY	90	220	-	220	-	-	-	310	-	-	-
CYPRUS	20	(4)	-	4	2	4	6	30	4	13.3%	40 %
ALGERIA	70	9.5	9.5	19	8.4	16.6	25	114	26.1	22.9%	59.3%
MOROCCO	56	29	29	58	6.7	9.3	16	130	38.3	29.4%	51.7%
TUNISIA	41	19.5	19.5	39	4.9	10.1	15	95	29.6	31.1%	54.8%
EGYPT	93	(7)	(7)	14	11.2	51.8	63	170	58.8	34.6%	76.3%
JORDON	18	(2)	(2)	4	2.2	15.8	18	40	17.8	44.5%	80.9%
LEBANON	20	(1)	(1)	2	2.4	5.6	8	30	6.6	22 %	66 %
SYRIA	34	(3.5)	(3.5)	7	4.1	14.9	19	60	18.4	30.6%	70.7%
YUGOSLAVIA	50	-	-	-	-	-	-	50	-	-	-
ISRAEL	30	-	-	-	-	-	-	30	-	-	-
TOTAL	963	310.5	71.5	382	104.3	145.7	250	1,595	217.2	13.6%	34.4%

The figures in parentheses relate to protocols in respect of which the respective responsibilities of the EIB and the Commission have yet to be decided.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr G. AMADEI

On 18 April 1978 the Committee on External Economic Relations appointed Mr AMADEI draftsman.

At its meeting of 9 May 1978 it considered the draft opinion and adopted it unanimously.

Present: Mr Martinelli, acting chairman; Mr Amadei, draftsman; Mr van Aerssen, Mr Baas, Lord Brimelow, Mr Brugha, Mr Emile Müller and Mr Radoux.

I. INTRODUCTION

Over the last few years, relations between the Community and Greece, Turkey and Portugal have gradually intensified. In the case of Greece, the Community is in the process of concluding negotiations for accession, probably by the end of this year, while the Commission is now considering the request for accession to the EEC made by Portugal. In the case of Turkey, important reasons of a political and economic nature have determined the need to strengthen links between the EEC and this Mediterranean country.

It is essential, therefore, that the political will expressed by the Community to increase and strengthen its links with the Mediterranean countries, and particularly with those countries that in the short or long term will become Member States, should be translated into practice in the most effective way. It is in the interests of both sides that accession or the objectives of association be achieved in such a way that the interests of all parties are safeguarded.

The Financial Protocols which the Community has signed on various subjects with Greece, Portugal and Turkey are important technical instruments for achieving the political and economic objectives which the Community has set itself with a view to enlargement or which, in the case of Turkey, it intends to achieve in the sphere of its Mediterranean interests.

It is essential that the financial assistance which the Community has undertaken to give to these countries be effectuated in such a way and at such a time as to guarantee its effective use, this being particularly essential in the case of the countries by which the Community is to be enlarged.

Greece in particular merits special consideration since this country is expected to be the first to accede to the Community. Since the end of 1975, when the funds provided under the First Financial Protocol were exhausted, there has been no further financial assistance from the Community as the funds provided under the Second Financial Protocol cannot be touched until the Protocol has been ratified by the parliaments of the various Member States.

Finally, attention is drawn to the fact that, having regard to ties at present linking the Community with Greece, Portugal and Turkey, the financial assistance which the Community has undertaken to accord these countries must be given as quickly and efficiently as possible. In this context the proposal for a regulation under consideration assumes particular importance.

II. THE APPLICATION OF THE FINANCIAL PROTOCOLS DRAWN UP WITH GREECE, TURKEY AND PORTUGAL

The implementation of the Financial Protocols with Greece, Turkey and Portugal justifies the adoption of more flexible administrative machinery than that which will be adopted for the Maghreb and Mashreq countries, Cyprus and Malta, since the Protocols in question do not provide for procedures for the programming or orientation of aid. Greece, Turkey and Portugal already have experience of financial cooperation because these countries are eligible for accession sooner or later.

The adoption of more cumbersome procedures could well be seen as a backward step. The administrative machinery advocated could be based on the system in force for Turkey, though adjustments would have to be made.

The inclusion in the budget of special loans and interest rate subsidies would allow the Commission to play an active role in the institutional machinery set up to appraise and administer these loans.

For each special loan or interest rate subsidy the Member States and the Commission would be consulted in writing. This consultation would give rise either to tacit agreement after a certain period laid down in the regulation had elapsed, or to the convening of a Committee if a Member State or the Commission so requested.

The assessment by the Committee and the Commission shall relate to the conformity of projects with the objectives of financial cooperation as laid down in the Protocols.

III. CONCLUSIONS

In view of the present links between the Community and Greece, Turkey and Portugal, it is essential that technical instruments be established to realize at the most suitable times and in the most suitable ways the political and economic objectives of the Community. To these ends the Financial Protocol is an important technical instrument. For this reason the adoption of more flexible administrative machinery for the implementation of the Financial Protocols with Greece, Turkey and Portugal is deemed justified. The Committee on External Economic Relations therefore approves the proposal for a regulation under consideration in its entirety. It hopes that this proposal for a regulation will help to make financial assistance from the Community swifter and more effective.

The committee feels that the Commission of the European Communities should play an active role in the institutional machinery set up to appraise and administer the loans, while the inclusion in the budget of special loans and interest rate subsidies will allow the Commission to reinforce this role.
