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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. 1-826/82 - COM(82)
601 final) for a decision empowering the Commission
to contract loans under the New Community Instrument
for the purpose of promoting investment within the
Community

Rapporteur: Mr J. MOREAU

By letter of 29 October 1982, 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 decision empowering the Commission to contract loans under the New Community Instrument for the purpose of promoting investment within the Community.

On 15 November 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.

At its meeting of 23 November 1982, the Committee on Economic and Monetary Affairs appointed Mr J. MOREAU rapporteur.

The committee considered the Commission's proposal and the draft report at its meetings of 23 and 24 November 1982.

At the latter meeting the committee decided by 19 votes to nil with three abstentions to recommend to Parliament that it approve the Commission's proposal with the following amendments.

The committee then adopted the motion for a resolution as a whole by 18 votes to nil with four abstentions.

The following took part in the vote: Mr MOREAU, chairman; Mr MACARIO and Mr DELEAU, vice-chairmen; Mr ALBERS (deputizing for Mr WALTER), Mr BEUMER (deputizing for Mr COLLOMB), Mr BONACCINI, Mr CABORN, Mr DELOROZOY, Mrs DESOUCHES, Miss FORSTER, Mr FRIEDRICH, Mr de GOEDE, Mr HERMAN, Mr MIHR, Mr NORDMANN, Mr PAPANTONIOU, Sir Brandon RHYS-WILLIAMS, Mr ROGERS, Mr SEAL (deputizing for Mr SCHINZEL), Mr VAN ROMPUY, Mr WELSH and Mr von WOGAU.

The opinion of the Committee on Budgets is attached.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following amendments to the Commission's proposal and motion for a resolution:

Amendments tabled by the
Committee on Economic and
Monetary Affairs

Text proposed by the Commission
of the European Communities

Proposal for a decision of the budgetary authority empowering the Commission to contract loans under the New Community Instrument for the purpose of promoting investment within the Community

Proposal for a Council decision empowering the Commission to contract loans under the New Community Instrument for the purpose of promoting investment within the Community

- unchanged

- having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

- unchanged

- having regard to the proposal from the Commission,

- deleted

- having regard to the opinion of the European Parliament,

- unchanged

- having regard to the opinion of the Economic and Social Committee,

Recitals unchanged

Article 1

The Commission is hereby empowered to contract on behalf of the European Economic Community loans under the New Community Instrument.
(Remainder deleted)

The Commission is hereby empowered to contract on behalf of the European Economic Community a new tranche of loans under the New Community Instrument which shall not exceed the equivalent of 3,000 million ECU in principal.

unchanged

The proceeds of these loans shall be lent to finance investment projects that contribute to greater convergence and integration of the economic policies of the Member States and, through the dissemination of technology and innovation or by other means, to reinforcing the competitiveness of the Community economy.

unchanged

These projects shall be such that they serve the Community's priority objectives in the energy and infrastructure sectors, and in the productive sector, taking account inter alia of their regional impact and the need to combat unemployment.

unchanged

The amount of the loans shall be taken up in tranches.

After consulting the European Parliament about the tranches to be authorized and the policies and economic sectors for which loans may be contracted, the Council, acting on a proposal from the Commission, shall by qualified majority authorize the loan tranches and lay down guidelines for the eligibility of projects.

unchanged

The Commission shall borrow on the capital markets within the limits of the amounts of the tranches authorized.

The procedure shall be provisional pending a decision on the budgetization of Community borrowing operations.

Within the framework of this provisional procedure, the budgetary authority decides that the first loan tranche shall amount to 3,000 million ECU in principal.

unchanged

unchanged

This facility may be used on its own or in conjunction with other Community financing instruments.

Article 2

The loan tranche shall be released by way of allocations.

After consulting the European Parliament about the amount and purpose of each allocation for which loans may be contracted, the Council, acting on a proposal from the Commission, shall by qualified majority authorize each allocation and lay down guidelines for the eligibility of projects.

The Commission shall decide whether or not projects are eligible in accordance with the guidelines thus laid down.

The Commission shall borrow on the capital markets within the limits of the amounts authorized.

Article 3

Associated borrowing and lending operations shall be expressed in the same currency units.

Lending terms as regards the reimbursement of the principal and the rate and payment of interest shall be fixed in such a way that, overall, they cover the costs and expenses incurred in concluding and performing both the borrowing and lending sides of the operations.

Article 4

unchanged

The terms of the borrowings 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 associated loans to be granted. Funds borrowed shall be deposited with the European Investment Bank, which shall invest them on a temporary basis if necessary.

unchanged

Where the funds borrowed are expressed, payable or reimbursable in the currency of a Member State, they may be contracted only with the agreement of the competent authorities of that State.

Article 5

unchanged

A mandate shall be given to the Bank to grant and administer loans in pursuance of this Decision. To this end, a co-operation agreement shall be drawn up between the Bank and the Commission. The Bank shall carry out operations under this mandate in the name of, for the account of and at the risk of the Community.

The Commission shall decide, in accordance with the provisions of Article 2, whether projects are eligible. Where the Commission gives a favourable decision, the Bank shall decide whether and on what terms to grant the loans, in accordance with its usual criteria and with the procedures laid down in its Statute and forward to the Commission, within the time limits laid down, its reasoned opinion on the granting of the loan requested.

The Commission shall decide, in accordance with the provisions of Article 2, whether projects are eligible. Where the Commission gives a favourable decision, the Bank shall decide whether and on what terms to grant the loans, in accordance with its usual criteria and with the procedures laid down in its Statute.

unchanged

Loan procedure shall be as follows:

- Loan applications shall be transmitted simultaneously to the Commission and to the Bank either direct or through a Member State.
- The Commission and the Bank shall sign the loan contracts.

The Commission shall inform the Council and the European Parliament at regular intervals of the rate of utilization of the tranches and notify them, no later than the date on which total loans signed amount to two thirds of the current tranche, of the purpose and amount it is intending to propose for the next tranche.

The Commission shall inform the Council and Parliament annually of revenue and expenditure arising from borrowing and lending operations. In the light of this information, the Council and Parliament may undertake an assessment of the general operation of the facility established by this Decision.

unchanged

Article 6

The Commission shall inform the Council and the European Parliament at regular intervals of the rate of utilization of the allocations and notify them, no later than the date on which total loans signed amount to two thirds of the current allocation, of the purpose and amount it is intending to propose for the next allocation.

Article 7

The Commission shall inform the Council and Parliament annually of revenue and expenditure arising from borrowing and lending operations.

Article 8

Financial control and the audit of the Commission's accounts shall be carried out in accordance with the Financial Regulation applicable to the general budget of the European Communities.

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 under the New Community Instrument for the purpose of promoting investment within the Community

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(82) 601 final),
 - having been consulted by the Council (Doc. 1-826/82),
 - having regard to its opinions of 10 April 1981 and 17 May 1982,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the committee on Budgets (Doc. 1-944/82),
1. Stresses the key role of investment for the revival of the economy, the adjustment of production structures and the creation of jobs and firmly draws attention to its previous demand that the Commission should submit a new proposal designed to ensure the continuity and improved operation of a permanent borrowing and lending facility designed to meet the needs of the Community;
 2. Notes in this connection that six months after its renewal, the single tranche of 1,000 million ECU of NCI II has almost been exhausted, which confirms the soundness of the position previously adopted by the European Parliament;

Regrets, therefore, that contrary to the wishes of the European Parliament, and notwithstanding its efforts to step up Community action to promote investment by means of a new additional loan tranche of 3,000 million ECU, the Commission has merely proposed continuing with the existing provisional borrowing and lending facility with just a few modifications;

3. Regrets, further, that the European Parliament has once again been hurried into delivering an opinion on a proposal concerning the NCI and that this has prevented it from giving due consideration to the matter;
4. Shares the Commission's concern, nevertheless, that the field of application of the New Community Instrument should be broadened to include all the Community's priority objectives, not just in the energy and infrastructure sectors but also in the productive sectors, bearing in mind their regional impact and the need to combat unemployment;
5. Commends the Commission for having re-introduced the principle that the loan tranches should be authorized by the Council acting by qualified majority rather than unanimously;
6. Reaffirms that the European Parliament expects to be consulted not only on the opening of the tranches but also on the choice of the economic sectors concerned;

Reaffirms also its wish to be provided with a periodic report on the utilization of the loan tranches;
7. Approves the intention of the Commission, as expressed in Article 5, not to restrict itself to deciding on the eligibility of projects but to play a fuller part, in collaboration with the European Investment Bank, in the loan administration procedure; considers, however, that the respective roles of the Commission and the EIB have not been made sufficiently clear and that the degree of participation of the Commission is still inadequate;
8. Regrets that the principle of the budgetization of borrowing and lending operations, enunciated by the Commission in its initial proposal and supported on many occasions by the European Parliament, has not yet been recognized by the Council;
9. Stresses, finally, the importance for the consolidation of the EMS of developing the use of the ECU and notes the Commission's intention to promote the use of the ECU in its borrowing and lending operations;
10. Approves the Commission's new proposal for a decision despite these reservations, so as not to obstruct the continued operation of the New Community Instrument and bearing in mind the economic, monetary and social situation

in the Community; expects the Council to adopt a different attitude from that it assumed during the previous conciliation procedure on this matter and to take account of all Parliament's demands, so as to ensure the effectiveness and permanence of this essential Community instrument;

11. Reserves the right to invoke the conciliation procedure should the Council decide to depart from this opinion.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman; Mr A. GOUTHIER

On 23 November 1982 the Committee on Budgets appointed Mr Gouthier draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 1 December 1982 and adopted it unanimously.

The following took part in the vote: Mr Lange, chairman; Mr Gouthier, draftsman; Mr Abens, Mr Adam (deputizing for Mr Cluskey), Mr Adonnino, Mr Balfour, Mr Fich, Mr Flanagan (deputizing for Mr Ansquer), Mr Kellett-Bowman, Mr Langes, Mrs Nikolaou, Mr Pfenning, Mr Price and Mr Simonnet.

Introduction

1. This proposal concerns the renewal of the New Community Instrument. The NCI was set up in 1978 to provide a source of investment funds additional to that of the EIB with the aim of stimulating economic recovery. A ceiling of 1,000 mECU was set for this NCI I, with a first tranche of 500 mECU released in 1979 and a second tranche of the same amount in 1980. In March 1982 the NCI was renewed (NCI II) and the whole amount foreseen of 1,000 mECU was released in a single tranche soon afterwards. The present proposal renews yet again the Instrument (NCI III), this time with a new ceiling of 3,000 mECU; no proposal for the release of a first tranche under this framework proposal has yet been received.

Procedure

2. It is hardly necessary to emphasise the importance of stimulating investment. Parliament has been in favour of the NCI since its inception. Nevertheless the way in which this Instrument has been set up has raised many issues of principle, on which Council has taken little or no heed of Parliament's opinions. The conciliation procedure was invoked both for NCI I and NCI II, but in neither instance did Council make any effort to enter into serious discussion with Parliament. The Committee on Budgets at its meeting on 18 March 1982 considered that the Council's attitude was likely to jeopardize the very substance of conciliation between Parliament and Council on Community acts having financial implications.

3. Disagreement therefore persists on points of substance. At the conciliation meeting on 15 March 1982, the Council stressed the imperative need for continuity and appealed to the Parliament to abandon for the time being the discussion of institutional problems, which would be resumed on the basis of new proposals from the Commission. At the same meeting the Commission undertook to submit at the earliest opportunity a new proposal aimed at ensuring the continuity and improved operation of the borrowing and lending mechanism in question. Parliament would be consulted and the conciliation procedure would apply once again¹.

¹see minutes of the meeting of the conciliation committee of 15.3.82

4. Parliament received the present proposal from the Commission on 28 October, with a request that the Parliament adopt its opinion at the latest during the December 1982 session because the available ceiling under NCI II was likely to be exhausted in the near future. Once again, therefore, Parliament is being rushed to agree a new decision with the form of which it fundamentally disagrees in order to ensure the continued operation of the Instrument.

5. In its resolution of 23 April 1982 on NCI II Parliament insisted "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 II".⁽¹⁾ The Simonnet report on the new Financial Regulation has not yet come before Parliament and is foreseen for the February 1983 session.

6. It should be noted that at Parliament's first reading of the 1983 budget, it adopted a series of amendments concerning the Community's borrowing and lending activities, including one which would increase the operations of NCI II by 2,000 mECU. Council has of course not accepted in the past Parliament's amendments to the part of the budget concerned with borrowing and lending operations.

Content of the new proposal

7. The way in which the regulation now proposed differs from that in force for NCI II may be summarised as follows:

- the ceiling for NCI III is 3,000 mECU. The amount for NCI II was 1,000 mECU;
- both the existing and the proposed new decision refer to the energy, infrastructure and productive sectors, but the new proposal lays greater stress on supporting growth sectors;

⁽¹⁾ OJ C 125, 1982

- the new proposal specifies that Council shall authorise the release of allocations by qualified majority rather than unanimously;
- the proposed new decision specifies that applications for loans should be forwarded in parallel to both the Commission and the EIB and that both bodies should sign the loan contracts. It remains the case that the Commission would decide on eligibility of projects and the Bank on whether to grant the loans and on what terms.

8. It is clear that the changes meet very few of Parliament's objections to the existing decision, objections raised in conciliation with Council on both NCI I and NCI II.

Parliament's position

9. The most fundamental of these objections concerns the specification of a maximum amount for the Instrument. This undermines its permanent nature, especially if a decision on its renewal is needed within a year as is the case now, and the role of the Parliament as part of the budgetary authority: the more financial limits are specified in legislative acts in the domain of the Council, the less is Parliament able to fulfil its role under the Treaties of having an equal say in the direction of the Community's finances. It was precisely to preserve the importance of the budget procedure that the joint declaration signed on 30 June specified that "the fixing of maximum amounts by regulation must be avoided". The entry in the new proposal of a ceiling is in clear contradiction of this, although Parliament and Council are not yet agreed on the incorporation of borrowing and lending operations in the budget.

10. In addition, Parliament has always argued that ceilings are too low: NCI II will have lasted barely a year and NCI III is unlikely to last much more than two years.

11. The importance of the budget as the central feature of the Community's finances is further undermined by the release of funds in tranches; this merely substitutes for the setting of amounts in the annual budgetary procedure. Experience shows that tranches are released on an approximately annual basis anyway.

12. Parliament has always been concerned that the right balance of responsibilities between the Commission and the Bank should be found. The setting up of the NCI was intended to allow the Community to encourage investment in defined sectors of the economy, enabling the EIB to continue to concentrate its activities on its traditional areas of interest. Thus while it is clearly sensible that the expertise of the Bank should be used to administer loans there is a danger that the purpose of the NCI loses its force if the Bank plays a too dominant role.

13. Although the new proposal does specify some slight procedural changes, the Commission's substantive role is still limited to that of deciding on the eligibility of projects rather than on whether to grant loans. This is a criticism also made in the recent report¹ of the Court of Auditors on the Community's borrowing and lending activities which criticised the Commission for not having interpreted explicitly its general guidelines for eligibility and considered that "it would be preferable if, in the interests of consistency between mechanisms and due to the Community's direct financial responsibility for its borrowings, the Commission was granted responsibility for making the NCI decisions".

14. The evidence so far is that operations under the NCI are indistinguishable from those of the EIB's normal activities. It is certainly true that the initial emphasis on energy and infrastructure projects corresponded to the Bank's traditional areas of interest and that it is too early to

¹to be published

see if there has been any change of emphasis under NCI II. However, both the Court of Auditors and the rapporteur's working paper no. 6 on the 1983 budget (PE 80.309) have underlined this similarity of operations.

15. Some aspects of the proposal are to be welcomed: the release of tranches by majority vote in Council, for example, and the strengthened role of the ECU and cash holdings referred to in the explanatory statement.

Conclusions

16. The Committee on Budgets therefore considers that:

- (a) it is absolutely essential that the Council fulfil its commitment to take up again the interrupted conciliation procedure on NIC I and that lasting agreement be reached on the fundamental points of disagreement between the two institutions. In order that the smooth running of the NCI should not be interrupted while this conciliation takes place an interim injection of funds under the existing arrangements should be considered;
- (b) although the stress in the new proposal on consulting Parliament is welcome, detailed consideration of the inclusion of borrowing and lending operations in the budget is of the utmost urgency and that Council should reach a decision as soon as possible;
- (c) considers that the proposed ceiling is no more than an interim target for implementation within a period of time to be agreed between Council and Parliament, and that the general principle of Council and Parliament deciding jointly during the budgetary procedure on the appropriate level of funding should be applied to these operations as soon as is practicable;

- (d) the release of funds via tranches , as under the existing decision, is also an objectionable restriction of Parliament's powers and notes that the rationale for tranches - that is that a particular tranche can be concentrated on a particular sector - has not apparently been borne out in practice;
 - (e) the Commission should have a clear responsibility for deciding on not only the eligibility of loan applications but also on the granting of loans and emphasises the importance of the Commission's role in ensuring that the objectives of the lending policy are achieved;
- and asks the Committee on Economic and Monetary Affairs to include these points in the amendments and motion for a resolution it will propose.