

## EUROPEAN PARLIAMENT

# Working Documents

1983 - 1984

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3 May 1983

DOCUMENT 1-236/83

### 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. 1-99/83 - COM(83)  
85 final) for a Council Decision implementing the  
decision empowering the Commission to borrow under  
the New Community Instrument for the purpose of  
promoting investment within the Community

Rapporteur: Mr J. MOREAU

PE 84.078/fin.



By letter of 23 March 1983, the President of the Council asked the European Parliament to give its opinion on the proposal from the Commission of the European Communities to the Council for a Decision implementing the Decision empowering the Commission to borrow under the New Community Instrument for the purpose of promoting investment within the Community.

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, the Committee on Energy and Research, the Committee on Social Affairs and Employment and the Committee on Regional Policy and Regional Planning for their opinions.

At its meeting of 21/22 March 1983 the Committee on Economic and Monetary Affairs appointed Mr J. Moreau rapporteur.

It considered the proposal and the draft report at its meeting of 20 and 21 April 1983.

At this meeting it decided to recommend that Parliament should adopt the Commission's proposal without amendment.

The motion for a resolution as a whole was adopted unanimously.

The following took part in the vote: Mr MOREAU, chairman; Mr MACARIO, Mr DELEAU, vice-chairmen; Mr BEAZLEY, Mr BONACCINI, Mr BEUMER (deputizing for Mr COLLOMB), Mrs DESOUCHES, Mr I. FRIEDRICH, Mr GIAVAZZI, Mr DE GUCHT, Mr HERMAN, Mr LEONARDI, Mr ROGALLA (deputizing for Mr MIHR), Sir Brandon RHYS-WILLIAMS, Mr ALBERS (deputizing for Mr RUFFOLO), Mr VAN ROMPUY and Mr WELSH.

The opinions of the Committee on Budgets, the Committee on Energy and Research and the Committee on Social Affairs and Employment are attached to this report. The Committee on Regional Policy and Regional Planning has decided to give its opinion orally.

The report was tabled on 25 April 1983.

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The Committee on Economic and Monetary Affairs 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 borrow 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 of the European Communities to the Council (COM(83) 85 final) (1),
  - having been consulted by the Council (Doc. 1-99/83),
  - having regard to its resolution of 16 December 1982 concerning the proposal for a decision empowering the Commission to contract loans under the New Community Instrument for the purpose of promoting investment within the Community (2),
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on Energy and Research and the Committee on Social Affairs and Employment (Doc. 1-236/83),
  - having regard to the result of the vote on the Commission's proposal,
1. Repeats its urgent request that this facility should be made into a permanent instrument; the fact that the single tranche of NCI 2 was used up in less than a year and the prospect that the tranche of NCI 3 now proposed will probably be used up within a similar period prove unquestionably that the present idea of a borrowing and lending instrument made up of successive NCI's is not the right one;

(1) OJ No. C 66 of 11 March 1983, p.6

(2) OJ No. C 13 of 17 January 1983, p. 96

2. Requests that the Commission provide Parliament with full information on the utilization of NCI 2 and the Communities' loan activities during the last eighteen months; stipulates therefore that the proposals for the next tranche must contain the necessary information about the present position as regards execution of the current tranche;
3. Notes with satisfaction that, in accordance with Article 2 of the basic decision on NCI 3, only a qualified majority of the Council is now required for allocations from the tranche to be authorized;
4. Welcomes the fact that the Council, in accordance with its amendment to Article 1 of the basic decision, makes special mention in NCI 3 of the financing needs of small and medium-sized undertakings, which were also given priority in the proposal for the first tranche and points to the need for the financing under the first tranche to include not only the industrial sector but also other sectors of production in accordance with the commitments made at the conciliation meeting between Parliament and the Council of Ministers of 18 April;
5. Repeats once again its request that it should not only be consulted about the opening of new tranches, but should at the same time be more fully informed about the policy aspects and the economic sectors concerned;
6. Is of the opinion that the Commission should have given the European Parliament clearer information about its intentions when splitting up this tranche into three parallel tranches, i.e. one for each priority sector;
7. Notes the Commission's willingness to provide the necessary information on the tranches to be opened; Parliament feels it should be informed as quickly and as fully as possible of the utilization of loan tranches; notes the improvements made in this regard to Article 6 of the basic NCI 3 decision for improved information, more specifically six-monthly information about the current tranche and a statement of policy intentions concerning the amount and purpose of a new tranche, at the latest when the total loans granted amount to two-thirds of a tranche; requests the Committee on Economic and Monetary Affairs to monitor the completion of operations in connection with this tranche;

8. Reserves the right to initiate the conciliation procedure should the Council depart from this opinion;
9. Agrees with the proposal for a first tranche of NCI 3, subject to the observations made above and subject to the general comments made about this borrowing and lending facility in the report on the outcome of the conciliation procedure with the Council on the basic NCI 3 decision;
10. Instructs its President to forward this resolution as Parliament's opinion to the Council and the Commission.

EXPLANATORY STATEMENTI. NCI 2

1. In the explanatory memorandum to its proposal the Commission states that it is urgently necessary that a first NCI tranche should be approved in view of the fact that the total amount of the single tranche of NCI 2 has been almost used up. In view of this situation the Council asked for application of the urgent procedure provided for in Rule 57 of Parliament's Rules of Procedure. The Committee on Economic and Monetary Affairs decided, however, at its meeting on 21 and 22 March 1983 that it could not accede to this request by the Council, since if Parliament gave its opinion before the end of the conciliation procedure with the Council about the basic decision on NCI 3, its position would be appreciably weakened.

2. In the explanatory memorandum the Commission confines itself to indicating the amount of the loans for which authorization has already been given under NCI 2, i.e. 600 million ECU; for the remaining 400 million ECU, projects are already being considered or have been approved.

Less than a year after the Council approved the tranche of NCI 2 (26 April 1982), it has already been used up. This must give pause for thought: drawing up a series of new NCIs is certainly not the right approach: the system must be replaced by a permanent instrument. It would, moreover, be logical for Parliament to be kept closely informed about the use to which the previous tranche, and in this case the previous NCI, has been put. Paragraph 9 of Parliament's resolution on the single NCI 2 tranche: 'requests the Commission to keep it informed of its relations with the EIB and to report to it periodically on the utilization of the loan tranches; instructs the Committee on Economic and Monetary Affairs to supervise the carrying-out of operations under this single tranche'.

3. It is obvious that when giving its opinion on a new tranche, Parliament will examine how the previous loan tranche was used. During the Committee on Economic and Monetary Affairs' discussion of the matter on 21 and 22 March



1983, the Commission gave some further details orally, although they were still very limited: authorized loans to date amount to 650 million ECU, 40% of these loans were for SMU in the form of global loans, 35% for work on infrastructure and 25% in the energy sector. More detailed information on this subject will be found in the annual report on the Community's borrowing and lending activities in 1982. At present Parliament only has the annual report on the Community's borrowing and lending activities in 1981, which did not appear until 29 July 1982. Parliament is now asked, with practically no information about activities in this area in 1982, to give its opinion about a new NCI 3 tranche of 1.5 thousand million ECU. It is extremely unsatisfactory for Parliament to be asked to give an opinion on this subject when it has no information at all about borrowing and lending activities in the last eighteen months. It can of course be understood that detailed information is only provided in the general report on borrowing and lending activities, nevertheless this does not alter the fact that when a new tranche is proposed a report is added on the rate of utilization of the current tranche. Therefore, this is the last time that Parliament will agree to give an opinion on the new tranche in this way; in the future it will demand satisfactory information about the current tranche.

Article 6 of the basic decision on NCI 3 contains a new provision to the effect that the Commission shall inform Parliament and the Council of the amount and rate of utilization of a new tranche, no later than the date on which total loans signed amount to two-thirds of a tranche. By this means the necessary information can also be provided for the current tranche.

## II. Decision-making procedure with regard to the tranches as laid down in the basic decision

4. Article 2 of the basic decision stipulates that the loan tranches shall be allocated by the Council by qualified majority, acting on a proposal from the Commission and after consulting Parliament. In previous NCI's the basic decision required a unanimous decision by the Council for allocating the tranches. Parliament has always recommended that the Council should act by qualified majority and therefore welcomes the fact that the Council has now followed the Commission's proposal and agreed to a qualified majority.

### III. Priority sectors of NCI 3

5. In the past, including its report on the basic decision on NCI 3, Parliament has repeatedly asked that it should not only be consulted about the tranches but also about the administrative ways in which loans can be contracted: the economic sectors and the amounts and purposes of the transactions in question should be specified in more detail. In its proposals about the tranches, however, the Commission always confines itself to a recital of the priority sectors already listed in Article 1 of the basic decision. Consequently the proposal does not say anything new about the tranches, apart from indicating the amount, and there is no clarification at all with respect to the basic decision. Nor in this proposal is any account taken of Parliament's wish to be informed about policies and the economic sectors (see Parliament's amendment to Article 2 of the basic decision). The Commission had nevertheless included this amendment by Parliament in its modified proposal (COM(83) 15 final). The Commission's attitude here is rather ambiguous: if it has adopted Parliament's amendment in a positive spirit, then the logical consequence will be that in a subsequent proposal concerning a tranche, and without the Council having approved the amendment to the basic decision, it will try to accommodate Parliament's wish to obtain more information about policy and the economic sectors.

6. In the proposal for the first tranche in NCI 3 the following sectors were listed as having priority:

- investment to encourage the efficient use of energy;
- investment in infrastructure projects, those associated with the development of productive activities so as to contribute more directly to raising the rate of productive investment, also, in line with the Commission's traditional objectives, those that contribute to regional development or promote the interests of the Community as such;
- in the field of industry and the productive sectors, investment mainly by small and medium-sized undertakings, that will contribute directly or indirectly to creating new jobs, and to the dissemination of innovation and new techniques.

With regard to the last point, it should be mentioned that the Council has adopted Parliament's amendment, which was above all intended to promote investment in the SMU. Apart from this very summary indication of the priority sectors the Commission gives no further information on the subject.

7. In contrast with NCI 1, the basic decision on NCI 2 and 3 makes provision for the possibility of parallel tranches. Parliament has spoken in favour of this possibility although hitherto no use has been made of them. Parliament has already pointed out in connection with the single tranche of NCI 2 that by substituting three parallel tranches for one general tranche, one per high priority sector, the Commission would go part of the way towards fulfilling Parliament's wish for better information about political aims, economic sectors and amounts and purposes of loans. The same comment is valid for the tranche of NCI 1 now proposed. By splitting this tranche in three, one per priority sector, Parliament would have a clearer picture of the political aims, the economic sectors and the amounts, etc., of the loans.

#### IV. Amount

8. The tranche proposed amounts to 1.5 million ECU, which represents half of the total ceiling of NCI 3. In this connection the question of the period for which the Commission thinks it will be able to cover requests for loans arises. The Commission should at the same time give an indication of how long it thinks the total ceiling of NCI 3, i.e. 3 thousand million ECU, will be sufficient. No information about this is given in the Commission proposal.

#### V. Information to be provided by the Commission about the administration of the proposed tranche

9. From the foregoing, the insufficiency of Parliament's past and present information about transactions carried out within the NCI seems evident. The Commission must make improvements in future. Given this inadequate provision of prior information, the need for more detailed a posteriori information is all the greater. This concerns more particularly:

- the objectives of an economic policy;
- the economic sectors concerned;

- the range of transactions;
- a statement of borrowing and lending operations for which interest payments are awarded under the EMS and a clear statement of the allocation of these interest payments between the NCI and other EIB borrowing and lending operations;
- information about financing projects by other loans from the EIB or other Community financial instruments, under loans provided within the framework of the NCI;
- cooperation between the Commission and Parliament.

10. With regard to the provision of information, some progress was made in the NCI 3 basic decision. Whereas for NCI 1 and 2 there was only yearly information, in the Council's common guidelines for the basic decision on NCI 3, six monthly information about the rate of utilization of the tranches is provided for. The Council has changed the time period 'at regular intervals', proposed by the Commission and approved by Parliament to every six months, which Parliament can approve.

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11. Points that might also be mentioned in connection with the NCI are Parliament's demand that borrowing and lending operations should be budgetized and the decision taken by the budget authority instead of the Council. Moreover, the division of duties between the Commission and the EIB is an ever-recurring problem as far as the NCI is concerned. These points will not be investigated any further in this report, since they are dealt with more extensively in the report on the results of the conciliation procedure with the Council about the basic decision on NCI 3.

12. In its opinions about the tranches of previous NCI's, Parliament has already stated, in view of the financial implications, that it reserves the right to initiate the conciliation procedure if the Council intends to depart from Parliament's opinion. In the past the Council has defended the view that a conciliation procedure can only apply to the basic decision; nevertheless, Parliament maintains its position that it will initiate the conciliation procedure if the Council's decision departs from Parliament's opinion.

OPINION

COMMITTEE ON BUDGETS

Draftsman : Mr A. GOUTHIER

On 21st April 1983, the Committee on Budgets confirmed Mr. GOUTHIER as draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 21st April 1983. At that meeting it adopted the draft opinion unanimously.

The following took part in the vote : Mr. LANGE, Chairman; Mr. NOTENBOOM and Mrs. BARBARELLA, Vice-chairmen; Mr. GOUTHIER, draftsman; Mr. ABENS, Mr. ARNDT, Mr. BROK (deputizing for Mr. LEGA), Mr. R. JACKSON, Mrs. HOFF, Mr. KELLETT-BOWMAN, Mr. LALUMIERE, Mr. LANGES, Mr. ORLANDI, Mr. SABY and Mrs. SCRIVENER.

1. This proposal concerns the first tranche to be opened under NCI III. As previously, there is a basic decision setting out the framework and maximum amount to be borrowed and lent; within this framework individual tranches are opened successively. In the present case, operations of up to 3,000 mECU are envisaged for NCI III, with this first tranche amounting to 1,500 mECU.

2. The interest of the Committee on Budgets is more in the basic decision for NCI III than in the individual tranches. Parliament has always supported the New Community Instrument as a means of enlarging the Community's investment policy, but it has consistently raised objections to certain aspects of the decisions setting up and governing the instrument. These reservations gave rise to conciliation meetings between Parliament and Council on both NCI I and NCI II, but these did not result in any real movement on the part of Council. In the case of NCI III, however, certain progress has been made culminating in the results of the conciliation meeting held on 18 April. Council adopted certain of Parliament's positions in its common negotiating position, and the conciliation meeting resulted in three declarations further clarifying the issues. This measure of agreement opens the way for the basic decision on NCI III to be adopted; the imminent exhaustion of funds for NCI II means that the Commission wishes to open the first tranche of NCI III immediately.

3. Parliament's main concerns over the form of the NCI have been:

- that the instrument should be permanent in nature;
- that borrowing and lending activities, including NCI, should be included in the budget;
- that the role of the Commission as policy-formulator relative to the EIB as agent should be strengthened;
- that Parliament should be consulted about the orientation of the individual tranches (and that in this context there should be a considerable emphasis on investment by small and medium-sized enterprises) and should receive regular reports and analysis of operations;
- that tranches should be agreed in Council by qualified majority instead of unanimously.

4. On a number of these points Council has adopted Parliament's position more or less in its entirety. For example, tranches will now be decided by qualified majority and reports are to be made to Parliament every six months. Similarly the basic decision for NCI III stresses small and medium-sized enterprises, and the new procedure for handling loan applications now gives an equal voice to the Commission and the EIB rather than leaving the final decision to the EIB alone. (The Court of Auditors suggested that the Commission take prime responsibility for the loan decisions but the Parliament's modest amendments in this direction - which did not go as far as the Committee on Budgets had proposed - were not supported by the Commission itself.)

5. Mr Moreau's report on the outcome of the conciliation procedure between Council and the European Parliament (Doc. 1-234/83) outlines the negotiations on the remaining points of difference and the joint declaration made on each, and proposes that no further objection be raised on NCI III.

6. With regard to the permanence of the instrument, the fact that Council has agreed a figure of 3,000 mECU for NCI III (as opposed to 1,000 mECU each for NCI I and NCI II), plus the fact that operations have been underway for four and a half years, imply that the instrument is becoming permanent and the conciliation committee agreed a declaration on 18 April on the NCI meeting a need and on its continuity.

7. The question of orientation of individual tranches is of greater interest to the Economic and Monetary Affairs Committee than the Committee on Budgets, and here the conciliation committee was able to agree on a declaration concerning the use of the NCI for productive sectors other than industry, Parliament making clear that this applies to the service and commercial sectors.

8. Budgetisation of borrowing and lending operations is clearly not confined to the New Community Instrument. A first proposal has been awaiting Council decision for some time. Similar proposals are included in the proposed revision of the Financial Regulation which is the subject of Mr Simonnet's report, and Council has maintained its opposition to this evolution and its unwillingness to discuss the issue before Parliament's opinion on this overall revision is ready. A declaration to the effect that budgetisation would be considered in the context of the revision of the Financial Regulation was made during the conciliation meeting on NCI I and

the conciliation committee on 18 April repeated this, and the minutes will include a reference to the budgetary authority confirming NCI tranches when adopting the budget.

#### First tranche of NCI III

9. The agreed form of NCI III is therefore a considerable advance over that for NCI II. The orientation of the first tranche is in this context unlikely to be controversial. The proposal from the Commission (OJ C 66, 1983) proposes that priority be given to financing the efficient use of energy, infrastructure projects, and projects related to innovation and new techniques especially in small and medium-sized enterprises.

10. NCI I was endowed with 1,000 mECU released in two tranches each of 500 mECU; this amount sufficed for operations between the initial decision in October 1978 and the decision on NCI II in April 1982, i.e. something over three years. The similar endowment of 1,000 mECU for NCI II was released in a single tranche in April 1982 and is near exhaustion now, approximately one year later. The increasing tempo of operations under the NCI can readily be seen.

11. Although the new proposal for a tranche of 1,500 mECU would be the largest ever single allocation to the NCI, it is difficult to envisage that this will provide for operations much beyond the autumn of 1984. In practice therefore the allocation for the NCI is being decided on approximately an annual basis but, of course, outside the context of the budget, providing yet a further argument for the inclusion of borrowing and lending operations in the annual budget discussions.

12. One might note that the Commission's proposal for a first tranche amounting to 1,500 mECU was put forward within a month of the Commission revising its proposal on the NCI III basic decision in line with Parliament's amendments, including a reference to the first tranche amounting to 3,000 mECU. Such a juxtaposition was, to put it mildly, unfortunate.

13. The Committee on Budgets, however, concludes that, in view of (a) the progress that has been made to date, and (b) the near-certainty that there will be a second tranche of 1,500 mECU under the NCI III which will last until 1985 or 1986, the first tranche of NCI III can be approved as proposed.



OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Letter of the Chairman of the Committee to Mr MOREAU,  
Chairman of the Committee on Economic and Monetary Affairs

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Brussels, 21.4.83

At its meeting of 20 April 1983, the Committee on Energy and Research considered the proposal from the Commission for a Council decision empowering the Commission to borrow under the New Community Instrument for the purpose of promoting investment within the Community (NCI), (Doc. 1-99/83)<sup>1</sup>.

The background to the present proposal is the particularly strong demand for loans qualifying for NCI finance. An assessment of the applications for loans granted or currently under consideration shows that the tranche authorized in 1982 will soon be used up. In order not to interrupt the measures promoting investment implemented under the NCI and in accordance with the guidelines approved by all parties - including priority for investments promoting the rational use of energy - the Commission proposes a decision implementing a new tranche.

Almost 600 m ECU of the tranche authorized in 1982 have been accounted for. The new implementing authorization fixes a maximum of 1,500 m ECU in principal.

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<sup>1</sup> Present: Mr GALLAGHER, acting Chairman; Mr SELIGMAN, Mr IPPOLITO, vice-Chairmen; Mr ADAM; Mr K. FUCHS; Mr FLANAGAN; Mr GAUTHIER, Mr GHERGO; Mr LINKOHR; Mr MORELAND; Mr PURVIS; Mr SALZER; Mr SASSANO; Mr TRAVAGLINI (deputizing for Mr PEDINI); and Mr VERONESI  
PE 84.078/fin.

8.4.1983

The Committee on Energy and Research has recently concluded its consideration of the Commission proposal for a regulation on the payment of financial incentives in support of certain categories of investments in the rational use of energy<sup>1</sup>. Asks the Committee on Economic and Monetary Affairs to take due cognisance of the likely borrowings under the Community's energy policy in any consideration of ceilings or amounts required and to stress its point in its motion for a resolution. Having general regard to the views set out in the report as to the importance of rational use of energy and the desirability of endeavouring to attain the greatest possible flexibility in sources of finance, the committee is able to endorse the Commission's proposal. An opinion on procedural and administrative provisions governing implementation - including fixing the ceiling for the tranche - is left to the responsible committee.

With these observations, this letter may be regarded as the favourable opinion of the Committee on Energy and Research.

Yours sincerely,

(sgd) Michael GALLAGHER  
Acting Chairman

<sup>1</sup> Report by Mr PURVIS, doc. 1-1345/82

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Social Affairs and Employment

Draftsman: Mr Fred TUCKMAN

On 18 January 1983, the Committee on Social Affairs and Employment appointed Mr Fred TUCKMAN draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 19 April 1983. It adopted the draft opinion on 19 April 1983 by 8 votes to 2 with 3 abstentions.

The following were present: Mr Papaefstratiou, Chairman; Mr Tuckman (rapporteur); Mr Abens, Mr Bournias (deputizing for Mr Barbagli), Mr Brok, Ms Clwyd, Miss de Valera, Mr Griffiths (deputizing for Mrs Charzat), Mrs Kellett-Bowman (deputizing for Mr Simpson), Mrs Maij-Weggen, Mrs Nielsen, Mr Patterson, Mrs Salisch, Mrs Squarcialupi (deputizing for Mr Ceravolo).

OPINION

of the Committee on Social Affairs and Employment

Draftsman : Mr Fred TUCKMAN

The Committee on Social Affairs and Employment draws the attention of the Committee on Economic and Monetary Affairs to the following observations and requests it to take account of them in its draft report:

The Committee on Social Affairs and Employment:

1. Welcomes the Council's insistence on the vital role of investment in raising growth rates, adjusting production structures and contributing to the solution of the unemployment problem and its recognition of the need to strengthen accordingly the Community's lending instruments to support investment, especially in the growth sectors of the future;
2. Endorses the Council's view that, in order to stimulate economic activity and support common policies, the financing facility of the New Community Instrument should be pursued and strengthened alongside existing Community financial instruments, the scope of which should be widened;
3. Agrees that (a) the proceeds of the loans contracted under the NCI should be used to finance investment which contributes to greater convergence of Member State economies and, through the dissemination of new technology, to strengthen Community competitiveness; (b) these projects should support certain Community priorities in energy, environmental technology, infrastructure, and small and medium-sized undertakings, taking special account of the need to reduce unemployment;
4. Stresses that any policy for improved competitiveness must also address itself to the key gaps between Europe and its competitors in the USA and the Far East: viz. the USA is much quicker in the application of research, in starting and winding up projects, companies and employment, and is therefore "faster on its feet"; while the Far East makes much greater demands on its work force without offering pay and working conditions in any way comparable to those provided by European industry;
5. Would like to know what mechanisms will be used to ensure that investments really go to high potential areas;

6. Aware that substantial success has attended forms of public intervention in the USA, France and Japan, would like to see spelled out the Community hopes to operate in this difficult field;
7. Also aware that both public and private investment in research and in the separate research and development function has often led to pure waste, while major success has been the lot of some large and some small R. and D. investments, would like to know how the Community hopes to operate, and in particular how it will arrive at the decision on which projects to back or initiate.
8. Believes that Community finance should also be concentrated on projects which turn basic research on which European spending is high into real applications and real jobs where Europe is notably less successful.

