



European Communities

EUROPEAN PARLIAMENT

# SESSION DOCUMENTS

English Edition

13 May 1991

A3-0134/91



R E P O R T

of the Committee on Budgets

on the Commission proposal for a Council Decision on providing medium-term financial assistance for Bulgaria (COM(91) 088 final - C3-192/91)

on the Commission proposal for a Council Decision on providing further medium-term financial assistance for Hungary (COM(91) 083 final - C3-193/91)

on the Commission proposal for a Council Decision on providing medium-term financial assistance for Romania (COM(91) 129 final - C3-200/91)

Rapporteur: Mr John TOMLINSON

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PE 150.385/fin.

A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)

Or.FR

\* = Consultation procedure requiring a single reading

\*\*II = Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

\*\*I = Cooperation procedure (first reading)

\*\*\* = Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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By letters of 11 April 1991, 15 April and 30 April 1991 the Council consulted the European Parliament, pursuant to Article 235 of the EEC Treaty, on the Commission proposal for a Council decision on providing medium-term financial assistance to Bulgaria, Hungary and Romania respectively.

At its meeting of 26 April 1991 the Committee on Budgets appointed Mr Tomlinson rapporteur.

At the sitting of 13 May 1991, the President of Parliament announced that he had referred these proposals to the Committee on Budgets as the committee responsible and to the Political Affairs Committee and the Committee on External Economic Relations for their opinions.

At its meeting of 13 May 1991 it considered the Commission proposals and draft report.

At the last meeting it adopted the draft legislative resolutions:

by 14 votes to 3 with one abstention concerning financial assistance for Bulgaria;

unanimously concerning financial assistance for Hungary;

by 13 votes to 3 with 2 abstentions concerning financial assistance for Romania.

The following were present for the vote: von der Vring, chairman; Lamassoure, 1st vice-chairman; Cornelissen, 2nd vice-chairman; Tomlinson, rapporteur; Arias Cañete, Blot, Böge, Colom i Naval, Desama, Elles, Goedmakers, Kellelt-Bowman, Langes, Marques Mendes, Miranda da Silva, Napolitano (for Colajanni), Onur (for Ferri), Pasty, Samland, Theato, Wynn and Zavvos.

The opinion of the Political Affairs Committee will be presented orally. The opinion of the Committee on External Economic Relations is attached.

The report was tabled on 13 May 1991.

The deadline for tabling amendments will be announced by the President during the sitting.

A

on a Commission proposal to the Council for  
a decision on providing medium-term financial assistance for  
Bulgaria

Commission text(1)

Amendments

Amendment No. 1

Insert before the 8th recital, new recital

Whereas the budgetary authority agreed with the Commission that the question of the growing risks for the Community budget linked to the problem of guarantees in general, strengthens the case for introducing a mechanism making it possible, where necessary, to mobilize such guarantees in transparent conditions; this mechanism could take the form of a "reserve for loan guarantees"; the Commission will present a proposal to this effect when it makes its report on the implementation of the interinstitutional agreement;

(1) for full text see COM(91)88 final - OJ No. C 96 of 12.4.91, p.17

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament  
on the Commission proposal for a Council decision  
on providing medium-term financial assistance for Bulgaria

The European Parliament,

- having regard to the Commission proposal to the Council (COM(91) 088 final), (1)
  - having been consulted by the Council pursuant to Article 235 of the Treaty (C3-192/91),
  - having regard to the report of the Committee on Budgets and the opinions of the Political Affairs Committee and the Committee on External Economic Relations (A3-0134/91),
1. Approves the Commission proposal in accordance with the vote thereon;
  2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  3. Calls for the conciliation procedure to be opened if the Council should intend to depart from the text approved by Parliament;
  4. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
  5. Instructs its President to forward this opinion to the Council and Commission.

(1) OJ No. C 96 of 12.4.91, p.17

A

on a Commission proposal to the Council for  
a decision on providing further medium-term financial assistance for  
Hungary

Commission text(1)

Amendments

Amendment No. 1

Insert before the 8th recital, new recital

Whereas the budgetary authority agreed with the Commission that the question of the growing risks for the Community budget linked to the problem of guarantees in general, strengthens the case for introducing a mechanism making it possible, where necessary, to mobilize such guarantees in transparent conditions; this mechanism could take the form of a "reserve for loan guarantees"; the Commission will present a proposal to this effect when it makes its report on the implementation of the interinstitutional agreement;

(1) for full text see COM(91)83 final - OJ No. C 97 of 13.4.91, p.8

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament  
on the Commission proposal for a Council decision  
on providing further medium-term financial assistance for Hungary

The European Parliament,

- having regard to the Commission proposal to the Council (COM(91) 083 final), (1)
  - having been consulted by the Council pursuant to Article 235 of the Treaty (C3-0193/91),
  - having regard to the report of the Committee on Budgets and the opinions of the Political Affairs Committee and the Committee on External Economic Relations (A3-0134/91),
1. Approves the Commission proposal in accordance with the vote thereon;
  2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  3. Calls for the conciliation procedure to be opened if the Council should intend to depart from the text approved by Parliament;
  4. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
  5. Instructs its President to forward this opinion to the Council and Commission.

(1) OJ No. C 97 of 13.4.91, p.8

A

AMENDMENT

on a Commission proposal to the Council for  
a decision on providing medium-term financial assistance for  
Romania

Commission text(1)

Amendments

Amendment No. 1

Insert before the 8th recital, new recital

Whereas the budgetary authority agreed with the Commission that the question of the growing risks for the Community budget linked to the problem of guarantees in general, strengthens the case for introducing a mechanism making it possible, where necessary, to mobilize such guarantees in transparent conditions; this mechanism could take the form of a "reserve for loan guarantees"; the Commission will present a proposal to this effect when it makes its report on the implementation of the interinstitutional agreement;

(1) for full text see COM(91) 129 - OJ No. C 121 of 5.7.91, p.5



DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament  
on the Commission proposal for a Council decision  
on providing medium-term financial assistance for Romania

The European Parliament,

- having regard to the Commission proposal to the Council (COM(91) 129 final), (1)
  - having been consulted by the Council pursuant to Article 235 of the Treaty (C3-200/91),
  - having regard to the report of the Committee on Budgets and the opinions of the Political Affairs Committee and the Committee on External Economic Relations (A3-0134/91),
1. Approves the Commission proposal in accordance with the vote thereon;
  2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  3. Calls for the conciliation procedure to be opened if the Council should intend to depart from the text approved by Parliament;
  4. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
  5. Instructs its President to forward this opinion to the Council and Commission.

(1) OJ No. C 121 of 5.7.91, p.5

EXPLANATORY STATEMENT

1. During the past two years the Community has provided substantial financial assistance to countries of Central and Eastern Europe. The following table places the actual proposals in the context of the previous decisions.

GUARANTEED LOAN	LEGISLATIVE AUTHORIZATION	MAX. AMOUNT mECUs	BUDGET AUTHORIZATION	
			Line	created by
1st Community loan to Hungary	Decision 90/83 of 22.2.90	870	BO-2100	Budget 1991
2nd Community loan to Hungary	Actual proposal COM(91)83	180	BO-2101	Draft rectific. and suppl. budget 1/91
EIB loans for Poland and Hungary	Decision 90/62 of 12.2.90	1000	BO-212	Budget 1991
Extension of the EIB loans to Czech and Slovak Republic, Bulgaria and Romania	Decision awaited on COM(90) 384	700	BO-212	Draft rectific. and suppl. budget 1/91
Bank loans to USSR (Food Aid)	Regulation 599/91 of 5.3.91	500	BO-213	Draft rectific. and suppl. budget 1/91
Community loan to Czech and Slovak Republic	Dec. 91/106 of 25.2.91	375	BO-214	Parliament's amendment to rect. budget
Community loan to Bulgaria	Actual proposal COM(91)88	290	BO-215	Parliament's amendment to rect. budget
Community loan to Romania	Actual proposal COM(91) 129	375	BO-216	Pending
TOTAL		4.290		

2. On several occasions Parliament has welcomed Community action in this field and approved the necessary proposals from the Commission. However, at the same time, Parliament has raised the question of the growing risks for the Community budget linked to the problem of guarantees on borrowing and lending operations.

3. In the last report on this subject (Doc. A3-35/91) the rapporteur explained the outcome of his discussions with the Commission and the Council which resulted in the following declarations :

"... , the increase in the budget guarantees the Community is required to give for loan operations to non-member countries, strengthens the case for introducing a mechanism making it possible, where necessary, to mobilize such guarantees in transparent conditions. This mechanism could take the form of a "reserve for loan guarantees". The Commission will present a proposal to this effect when the interinstitutional agreement comes up for renewal". (COM(90)691, Proposal for the revision of the financial perspectives)

"..., with regard to budgetary guarantees for loans that the Community has already entered into, or would enter into in future as part of its assistance to third countries, ministers agreed with the Commission that the question of the growing risks for the Community budget linked to the problem of guarantees in general should be examined in the context of the renewal of the interinstitutional agreement on financial and budgetary matters in 1992. The Council would examine concrete Commission proposals to that end when the time came". (Press Release 4361/91 (Presse 6) of the Council - Economic and Financial Affairs of 28 January 1991).

4. At that time Parliament accepted the first series of proposals for Eastern European countries but announced that it wanted to seek further progress within the framework of the budgetary procedure.

5. Consequently, Parliament proposed an amendment to the rectifying and supplementary budget No. for 1991 as follows:

"The budgetary authority agreed with the Commission that the question of the growing risks for the Community budget linked to the problem of guarantees in general, strengthens the case for introducing a mechanism making it possible, where necessary, to mobilize such guarantees in transparent conditions. This mechanism could take the form of a "reserve for loan guarantees". The Commission will present a proposal to this effect when the interinstitutional agreement comes up for renewal".

This amendment was intended to ensure that appropriate action would be taken before the expiry date for the first reimbursements of the loans guaranteed by the supplementary budget.

6. The Council did not accept Parliament's amendment. As budget ministers apparently lacked the political will to confront the growing danger to the Community budget, the rapporteur proposes to continue the discussion with the Foreign Affairs Ministers who initiated these measures for financial assistance to Central and Eastern Europe. With this in mind, an amendment is proposed to the present Commission proposals to extend financial assistance to Bulgaria, Hungary and Romania, as the basis for a conciliation within the legislative procedure.

7. Parliament's action should be seen in the framework of a common declaration of the Parliament, Council and Commission on 5 March 1991, agreed on the occasion of the conciliation on several measures for urgent food aid to the same countries:

"It has been agreed that Council, before deciding in principle on possible new external aid will contact Parliament using a procedure that is appropriate to the urgency of the decisions to be taken, without prejudice to the powers granted to each institution by the Treaties"

#### CONDITIONS OF THE LOANS

8. The present proposals are almost identical. They grant to each of the three countries a medium-term loan facility in the maximum amounts indicated above for a maximum average duration of seven years. They are intended to ensure the balance of payments situation of the country and to strengthen its reserve position.

9. The necessary resources will be borrowed by the Commission, and not, as was the case of previous occasions, by the EIB, and consequently placed at the disposal of the countries concerned.

The first instalment is conditional on the economic policy of the countries being in accordance with the arrangement to be concluded with the IMF. For Bulgaria the loan is also conditional on a rescheduling agreement with its "Paris Club creditors" for official debt, and with its commercial bank creditors for commercial debts. The second instalment will be released "after at least two quarters" (Bulgaria and Hungary) or "not before the fourth quarter of 1991" (Romania)

#### MANAGEMENT OF THE LOANS

10. The loans will be managed by the Commission "in full consultation" with the Monetary Committee and consistent with agreements reached between the involved countries with the IMF and also "with arrangements made by the G-24".

11. The rapporteur is conscious of the need for conditioning the financial assistance on economic policy in Romania, Hungary and Bulgaria, but he is worried about the lack of democratic control over the decisions to be made. He therefore suggests that the Commission should be requested to address quarterly reports to Council and Parliament on the implementation of this decision. He also stresses that consultation of the Monetary Committee should not weaken the Commission's responsibility for the execution of the budget, as laid down in Art. 205 of the EEC Treaty.

12. The rapporteur appreciates the efforts of the Commission to present its proposals in short and clear text. Nevertheless, he doubts if mentioning e.g. the Monetary Committee (Art. 1(3)), the IMF (Art. 1(3)), G-24 (Art. 2) or even the Paris Club Creditors (Art. 3(1)) to Bulgaria, without further specification or references is good legal practice. Therefore, he asks Council to reflect on the chosen formulation to identify these organisations.

#### CONCLUSION

13. The Committee on Budgets welcomes the present proposals for additional financial assistance to Central and East European countries, but it insists on clarification of the budgetary coverage of the growing financial risks for the Community and on closer democratic control of the management of the loans.

OPINION

of the Committee on External Economic Relations

Letter from the chairman of the committee to Mr von der VRING, chairman of the Committee on Budgets

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Strasbourg, 13 May 1991

- Subject:
- Commission proposal for a Council Decision on providing medium-term financial assistance for Bulgaria  
(COM(91) 088 final - C3-192/91)
  - Commission proposal for a Council Decision on providing further medium-term financial assistance for Hungary  
(COM(91) 083 final - C3-193/91)
  - Commission proposal for a Council Decision on providing medium-term financial assistance for Romania  
(COM(91) 129 final - C3-200/91)

Dear Mr von der Vring,

At its meeting of 13 May 1991 the Committee on External Economic Relations considered the above proposals.

The committee noted that the difficulties in the balance of payments of the countries concerned could cut down their imports which could seriously compromise the achievement of the objectives of economic reform.

It therefore seems appropriate for the Community to intervene, within the framework of G-24 aid and on condition that 'standby' agreements are concluded between these countries and the IMF. The Committee on External Economic Relations would point out, however:

- the need for the European Parliament to receive more detailed information on the implementation of this measure;
- the need to take account at budgetary level of the Community's increased financial commitments (in the form of loans or guarantees) towards third countries. An in-depth analysis of the situation in this sector is obviously required;
- in the case of Bulgaria and Romania, the need to take account of the development of the human rights situation with a view to granting financial assistance.

Subject to these remarks the Committee on External Economic Relations can approve the proposals in question.

Yours sincerely,  
(sgd) Willy DE CLERCQ

The following were present for the vote: De Clercq, chairman; Stavrou and Moorhouse, vice-chairmen; da Cunha Oliveira (for Benoit), de Vries, Hindley, Lenz (for Estgen), Marck (for Gallenzi), Peijs, Randzio-Plath, Spencer, Sonneveld (for Lemmer), Tsimas and Visser (for Titley).

