

European Communities

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REPORT

drawn up on behalf of the Committee on Budgets

on the guidelines for the budgetary policy of the
Communities for 1984

Rapporteur: Mrs C. SCRIVENER

PE 82.570/fin.

In line with the procedure followed during recent years by the various institutions for the consideration of the major guidelines for the budget of the following financial year, at its meeting of 16 and 17 February 1983 the Committee on Budgets considered the general guidelines for the 1984 budget of the European Communities.

During this meeting, the Committee on Budgets considered the motion for a resolution and adopted it unanimously.

Present: Mr LANGE, chairman; Mr NOTENBOOM and Mrs BARBARELLA, vice-chairmen; Mrs SCRIVENER, rapporteur; Lord DOURO, Mr FICH, Mr GAUTIER (deputizing for Mr ANSQUER), Mr GOUTHIER, Mr JACKSON, Mr KELLETT-BOWMAN, Mr LANGES, Mr NEWTON DUNN, Mr PFENNIG, Mr PRICE, Mr RYAN, Sir James SCOTT-HÖPKINS (deputizing for Mr BALFOUR), Mr SIMONNET and Mr WOLTJER (deputizing for Mr LALUMIERE).

The opinion of the Committee on Energy is attached.

C O N T E N T S

	<u>Page</u>
A - Motion for a resolution	5
B - Explanatory statement	8
Opinion of the Committee on Energy	16

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

Motion for a resolution

on the guidelines for the budgetary policy of the Communities for 1984

The European Parliament,

- having regard to the report of the Committee on Budgets and the opinion of the Committee on Energy (Doc. 1-1321/82),

- A. whereas, to be effective and consistent, the Community's financial policy must pursue in 1984 the objectives laid down in 1983 : the fight against unemployment and the campaign against hunger in the world,
- B. emphasizing that the Community budget has limited resources and that attempts should therefore be made to implement the measures best suited to combat the economic crisis,
- C. believing that the measures taken by the Community must be consistent with those taken by the Member States and be aimed at fostering economic convergence and regional development,
- D. stressing that Community measures must be given preference over national measures where they offer the advantages of greater effectiveness and lower cost,
- E. noting that the economic problems have revealed that part of the productive apparatus is unequal to the demands of international competition,
- F. having regard to the priorities laid down by the Commission in its outline programme for 1983 and in the address given by the President of the Commission on 8 February 1983,

- G. whereas the forthcoming accession of Portugal and Spain should entail an adjustment to the system of Community financing and increased financial efforts,
1. Believes that in the first instance, the Community budget must concentrate on financing specific measures providing direct and indirect investment support as regards both manpower and the economy, so as to strengthen the competitive position of undertakings and thus combat unemployment effectively and permanently;
 2. Considers that to fulfil these objectives, the 1984 budget must guide the Community's investment aid policy in the following directions:
 - (a) as regards manpower, it must:
 - promote the vocational training, retraining and redeployment of workers and managers so as to adapt human resources to current changes in technology;
 - (b) as regards the economy, it must:
 - boost productive investment which creates jobs, particularly with respect to small and medium-sized undertakings which employ around 60% of the industrial workforce;
 - support certain activities vital for economic development: new technologies and innovations, growth industries, research, energy strategy, transport infrastructure;
 3. Believes a qualitative improvement and better coordination of the financial instruments to be necessary, with
 - structural funds directed towards measures more specifically geared to the Community, and
 - wider use of interest subsidies;
 4. Believes that with regard to the developing countries, aid must be concentrated on projects where results can be measured and which provide not only for material assistance but also for the training of manpower. In the case of the poorest countries, the achievement of self-sufficiency in food is a primary objective;

5. Emphasizes that aid to the developing countries is not simply a humanitarian gesture but also essential for the economies of the industrialized nations;
6. Affirms that the common agricultural policy is an essential element in European integration. In order to ensure its continuation, the efforts already made to achieve savings by strict management and by fresh studies into the effectiveness and expediency of certain provisions must be pursued. Such studies will be stepped up in respect of measures liable to give rise to fraud, and monitoring procedures must be strengthened;
7. Insists that action be taken to correct the distortions arising from surplus production;
8. Points out that the present imbalances in the Community budget can only be eliminated by strengthening and improving Community policies and by the introduction of a more efficient system of financing. Any other solution, in particular that based on the notion of a 'fair return', will lead to the disintegration of the Community. The budget for the 1984 financial year must therefore take into account Parliament's motives when it decided to reject Draft supplementary budget No. 1/82.
9. Considers that by implementing a policy consistent with the guidelines set out above, the budget for the 1984 financial year will pave the way for a reduction in imbalances and for the restructuring of the budget¹;
10. Calls on the Commission to take these guidelines into consideration when it draws up its preliminary draft budget for 1984 and its triennial forecasts;
11. Calls on the Commission to introduce budget lines corresponding to the measures advocated in this resolution;
12. Notes the options set out by the Commission in its report on the future financing of the Community and will deliver its opinion in a special report on these proposals.
13. Instructs its President to forward this resolution to the Commission and Council.

¹ Under the 'mandate of 30 May'

EXPLANATORY STATEMENT

1. The European Parliament concentrated on two priorities during the 1983 financial year: the fight against unemployment and the campaign against hunger in the world. These two priorities must be maintained during the 1984 financial year:

. the employment situation deteriorated further in the countries of the Community in 1982, and the unemployment rate is now in excess of 10% of the working population. All the appropriate budgetary and financial instruments which the Community has at its disposal must be harnessed in the fight against unemployment, and their efficiency must be strengthened so that they can attain this objective;

. development aid is primarily a humanitarian issue. We must not, however, ignore the fact that it is also essential for the economies of the industrialized nations insofar as it helps to maintain the level of external demand.

2. It is particularly necessary that the limited financial resources available to the Community are utilized consistently and effectively. One of the aspects of this consideration is the further pursuit of the objectives laid down in 1983. In addition, we must ensure that national and Community measures complement each other.

We must in particular query the place and role of financing operations undertaken by the Member States and those financed from the Community budget. As a general rule, Community measures should be given preference over national measures wherever they are more effective and cost less.

3. The scale of the crisis and the failure of the remedies tried so far call for a campaign which goes beyond the short-term economic framework. One of the main reasons for the stagnation of economic activity in Europe is the fact that part of the productive apparatus is unequal to the task facing it. We must therefore begin by taking the measures required to halt industrial decline in the Community.

I - Support for productive investment

4. The budgetary guidelines which the European Parliament would like to implement are based on an analysis of the economic crisis on which there is increasing agreement between the Member States and Community bodies.

See in particular the European Councils of 29 and 30 March and 4 and 5 December, Communication from the Commission of 8 June 1982 on investment, Communication from the Commission of 8 October 1982 on initiatives for promoting investment.

5. The two drastic oil-price rises of 1973 and 1979-80 resulted in a redistribution of economic power in the world with regard to energy. Whatever may happen to the price of oil in the future, it would appear that the European economy will have to face up to increasingly sharp competition:

- certain major sectors of the traditional economy (textiles, iron and steel) are no longer capable of resisting competition from new producers;
- technological capacity and innovative effort are no longer the prerogative of European industry. The increase in gross fixed-capital formation averaged no more than 1.6% per year during the period 1971-80; it decreased in 1981 (-5.6%) and in 1982 (-3%).

6. Our efforts must endeavour to counter these trends. Above all, we must restore the competitive position of undertakings and, to that end, encourage investment and innovation.

7. The Member States are responsible for economic policy and possess financial instruments and resources much greater than those of the Community for a revival of investment.

That does not mean that the Community should refrain from taking any measures in this sector.

8. It is proposed that direct and indirect productive investment support be provided. That means:

(a) Indirect support

We must ensure that investment is not hampered by factors external to the undertaking. In this respect, the Member States must first of all take coordinated measures to stabilize the economic environment (inflation, interest rates, exchange rates) and take the necessary steps to develop a genuine internal market.

At the level of the Community budget, specific measures may be taken aimed at:

- developing infrastructures, especially in the transport sector. The Regional Fund must play a major part in this field. Improvements to the budgetary nomenclature would enable Parliament to supervise the type of expenditure more effectively.

Parliament also expects the Council to implement a genuine transport policy which will guarantee the implementation of Community-wide infrastructures;

- encouraging research (Chapters 72 and 73 in particular);
- adapting professional qualifications more effectively to the new technologies to be implemented. Specific attention must be paid to the training of young people who account for more than 40% of the population seeking employment. Training programmes for young people aged from 16-18 must be implemented rapidly so that they may obtain proper professional qualifications geared to their hopes and the requirements of the economy.

(b) Direct support

Procedures for giving direct support to undertakings which invest are already established either in the form of subsidies (through the ERDF), or in the form of loans (NCI, EIB) or in the form of interest subsidies (EMS, 'earthquake' subsidies).

These procedures must be utilized for productive investment more than in the past.

Interest subsidies enable budget appropriations to exercise a multiplying effect on investment and in this way to strengthen the efficiency of Community financing with respect to the objectives pursued. The Commission could be instructed to utilize the appropriations at its disposal to a much greater extent than in the past, in particular within the framework of the Regional Fund for this type of action.

9. The relative scarcity of the funds available from the Community budget makes it more necessary than ever to define the objectives precisely. In this respect it is proposed to place the accent on two specific aspects:

- 'strategic' activities: basic research, research and development in the energy, industry, data processing and innovation sectors in respect of which the Community already possesses the requisite technological bases and which will be the determining factor in the future of the European economy. Measures may be taken within the framework of Chapters 70, 75 and 77 of the budget;
- small and medium-sized undertakings, which have a great capacity for innovation but whose financial structure is frequently shaky, must be given special support, in particular by means of aid from the Regional Fund and the lending operations of the Community and of the EIB.

10. To be fully effective, the Community's effort should be concentrated on specific objectives, and its instruments must be defined and implemented in a coordinated manner.

The required objectives are to assist undertakings in their investment projects, improve transport infrastructure and develop vocational training programmes. Nevertheless, none of these implemented independently of the others can provide a permanent solution to the employment problem. Only simultaneous and coordinated action will be effective. We must ensure that there is close cooperation between aid to undertakings and aid from the European Social Fund.

In this respect, it is particularly interesting to note that the Commission has proposed directing aid from the European Social Fund towards the small and medium-sized undertakings. We should go further. We could imagine a situation where in future a direct link was established between the ESF's operations and the granting of Community aid to undertakings through the various lending instruments.

II - Qualitative improvement of the financial instruments

11. The qualitative improvement of the budgetary policy of the Communities is one of the central ideas of these draft guidelines. It is true that beyond a certain threshold, a policy of quantity becomes a policy of quality; for example, we can imagine that financial transfers carried out through the

Community budget could reduce economic disparities between regions. Unfortunately, in the current state of the Community budget, there is no possibility of such transfers having this impact because they would be too small. Unless we aim to give the Community budget a role in redistributing resources, outside any consideration of Community policy, such an approach does not appear germane.

The present guidelines propose selecting financing operations which apply to specific measures corresponding to the objectives defined in the previous paragraphs.

12. That implies a more consistent and more structured utilization of the Community's financial instruments. Such consistency may be attained in various ways:

- the institutions responsible for administering the financial instruments should be able to refer to a precise definition of the objectives of the Community's financial policy. Such a definition should be embodied in a preamble to the 1984 budget. The Commission and the European Investment Bank have declared their willingness to participate in a procedure of this nature. The Commission will probably submit a draft of such a preamble. If this is not the case, Parliament should propose an amendment along those lines;
- a consistent definition of the objectives of the Community's financial and budgetary policy will itself lead to better coordination between the various financial instruments. Such coordination may, however, be strengthened at the level of administrative organization. The Commission could, for example, be asked to establish or strengthen an administrative structure responsible for this type of coordination;
- with regard to the budgetary initiatives designed to promote this qualitative improvement, we could conceive of a strengthening of the existing financial instruments which are more suited than others to a qualitative improvement of this type; for example, the non-quota section of the Regional Fund provides for the financing of measures which are more specifically geared to the Community than the quota section. We might also consider amending the budgetary nomenclature relating to the various financial instruments so as

to highlight the objectives pursued, in particular in the case of the Social Fund and Regional Fund;

- also at the budgetary level, we could create the conditions for better coordination between the financial instruments by agreeing to the establishment or strengthening of measures based on such coordination, for example integrated operations. In this respect, the Committee on Regional Policy could itself define a number of operations of this type which would be adopted by budgetary procedure;
- in the research, energy policy, technology, innovation, industrial policy and growth industry sectors, the Community budget has for several years now been financing very specific measures corresponding largely to the objectives defined in these guidelines. Unfortunately, so far such financing has been at a very low level and the decision-making procedures often result in their surrendering much of their Community character and being integrated in national programmes. In these sectors, the policy of quality would result both in promoting the development of existing operations and strengthening the Community nature of the procedures. In this respect, Parliament could take two measures:
 - . increase the appropriations for existing operations (Title 7);
 - . create, where necessary, certain lines to enable specific projects to be immediately implemented.

III - Development aid

13. Half of the development aid granted by the Community concerns food aid.

In the case of food aid, the policy of quality means that priority would be given to specific measures designed to promote self-sufficiency in food in the countries concerned on an effective and permanent basis. That implies material aid but also the training of manpower.

From this angle, conventional food aid - i.e. the supply of agricultural products from Community production - only concerns immediate problems caused by famine. On the contrary, the general rule should be to aid projects designed to increase local production.

As regards overall development aid, the policy of quality also signifies a review of the decision-making procedures which would increase the Commission's responsibility for the choice of projects based on criteria which were more specifically linked to the Community and in greater conformity with the guidelines set out above.

Budgetary initiatives in this sector are at present difficult to define since the Commission's attitude remains ambiguous: it is in principle favourable to a policy of quality but accepts current procedures which prevent the implementation of such a policy.

Specific operations already existing in the budget for the training of manpower (Article 935 - Items 9340 and 9341) must be stepped up.

IV - Common agricultural policy

14. The efforts undertaken over the past few years to ensure a more accurate budget entry and stricter management should be pursued.

The budgetary procedure will provide an opportunity for reviewing estimates in the light of the rate of utilization of appropriations in preceding years, account being taken, of course, of developments on world markets.

One further measure should be pursued: a consideration of the effectiveness of the various measures financed by the EAGGF Guarantee Section. This is, of course, a very delicate operation which must be carried out with extreme caution since it has serious political implications. Whatever the case may be, Parliament must face up to its responsibilities and undertake an analysis and consideration of the effectiveness of financing measures from both the budgetary and economic points of view. It must, above all, seek measures designed to curb further

surplus production. Once this has been achieved, the criteria on which Parliament bases its stance will remain political.

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15. Your rapporteur feels that the guidelines described above will be effective in the fight against unemployment. They should be defined throughout the budgetary procedure so that the 1984 budget provides tangible solutions to our economic problems. A dual approach is required:

- the Commission must introduce budget lines corresponding to the priorities laid down by Parliament in the preliminary draft budget, and
- in Parliament, each committee must define the most efficient specific measures for implementing these guidelines.

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Energy and Research

Draftsman: Mr ADAM

On 27 January 1983, the Committee on Energy and Research appointed Mr ADAM draftsman of the opinion.

The committee considered the draft opinion at its meeting of 15 February 1983. It adopted the draft opinion on 15 February 1983 unanimously.

The following were present: Mr GALLAGHER, acting chairman; Mr SELIGMAN, vice-chairman; Mr ADAM, Mr COLLESELLI (deputizing for Mrs PHLIX), Mr FRANZ, (deputizing for Mrs WALZ), Mr LALOR (deputizing for Mrs ANGLADE), Mr MARKOPOULOS, Mr MORELAND, Mr MULLER-HERMANN, Mr NORMANTON, Mr PEDINI, Mr PERCHERON, Mr PINTAT, Mr PROTOPAPADAKIS, Mr RINSCHÉ, Mr ROGERS (deputizing for Mrs THEOBALD-PAOLI), Mr SALZER, Mr SASSANO, Mr SCHMID, Mr TRAVAGLINI (deputizing for Mrs FUCHS), Mr VANDEMEULEBROUCKE, (deputizing for Mrs BONINO) and Mr VERONESI.

At its meeting of 15 February 1983, the Committee on Energy and Research considered the document mentioned above.

1. The committee emphasizes that the uncertain state of the energy market reinforces and extends the need for a Community energy policy. In particular, the committee recalls the view which it expressed in connection with the 1st supplementary budget for 1983 that the special measures in the sector of energy strategy, then proposed, must be the base for a longer-term development of a truly Community energy strategy. It further recalls the demand it made on that occasion for a commitment from the Commission and the Council to this effect.
2. The committee firmly believes that an extension of Community activity in the field of energy can make a real contribution towards the reduction of unemployment. Further, increased resources applied to energy strategy, research and new technologies and innovations will generate additional job opportunities because of the new forms of economic activity created. It therefore expects that this view will be reflected in the final budget provision.
3. The committee, therefore, endorses the proposal that the fight against unemployment should be the main objective of the 1984 budget. It agrees with the identification of energy strategy, research and new technologies and innovations as being activities vital for economic development.
4. The committee expects the Commission in its preliminary draft budget for 1984:
 - to advance the energy strategy developments begun in the 1st supplementary budget for 1983,
 - to structure the research proposals along the general lines of the overall European Scientific and Technical Strategy Framework Programme 1984-1987¹, which reflects the conclusions of the LINKOHR report², and
 - to reinforce the budget provisions which support the energy sector in developing countries.

¹COM (82) 865 final

²Doc. 1-654/82

