

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

3 May 1983

DOCUMENT 1-234/83

REPORT

drawn up on behalf of the Committee on Economic
and Monetary Affairs

on the common position of the Council of the
European Communities (Doc. 1-1370/82) on the
amended proposal from the Commission of the
European Communities to the Council (COM(83) 15 final)
for a Council decision empowering the Commission to
contract loans under the New Community Instrument for
the purpose of promoting investment within the
Community (Doc. 1-826/82)

Rapporteur: Mr J. MOREAU

On 9 March 1983 the European Parliament informed the Council that it wished the conciliation procedure established by the joint declaration by Parliament, the Council and the Commission of 4 March 1975 to be opened in respect of the decision empowering the Commission to contract loans for the purpose of promoting investment within the Community.

The conciliation meeting between the European Parliament and the Council was held on 18 April 1983. At its meeting of 20 February the Committee on Economic and Monetary Affairs appointed Mr J. Moreau rapporteur on the results of the conciliation meeting pursuant to Rule 38(4) of the Rules of Procedure.

On 21 April 1983 it considered the report and adopted it unanimously.

The following took part in the vote: Mr J. Moreau, chairman and rapporteur; Mr Deleau and Mr Macario, vice-chairmen; Mr Bonaccini, Mr Beumer (deputizing for Mr Collomb), Mrs Desouches, Mr Giavazzi, Mr De Gucht, Mr Herman, Mr Leonardi, Sir Brandon Rhys Williams, Mr Van Rompuy and Mr Welsh.

The report was submitted on 22 April 1983.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament pursuant to Rule 38(4) of the Rules of Procedure the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the results of the conciliation meeting on the 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 of the European Communities to the Council (Doc. 1-826/82),
- having regard to the opinion of the European Parliament (1),
- having regard to the amended proposal from the Commission of the European Communities (COM(83) 15 final),
- having regard to the joint position of the Council of the European Communities (Doc. 1-1370/82),
- having regard to the conciliation meeting of 18 April 1983,
- having regard to the decision of the Council of 18 April 1983,
- having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-234/83),

(1) Resolution adopted on 16 December 1982, OJ No. C 13, 17.1.1983, p.95

1. Recognizes that, in its common position, the Council has come closer to accommodating Parliament's demands, notably that:

- the ceiling should be raised;
- tranches should be authorized by the Council acting by a qualified majority;
- it should be explicitly stated that the financing of investment is principally to be in small and medium-sized undertakings, in industry and in the other productive sectors;
- relations between the Commission and the European Investment Bank should be improved by requiring that loan applications should be forwarded simultaneously to the Commission and the EIB and that loan contracts should be signed by both Institutions;

2. Points out, however, that the conciliation procedure had to be opened because substantial differences of opinion remained between the Council and Parliament on the following key issues:

- the permanence of the borrowing and lending instrument in question;
- consultation of Parliament not just on the amount of the tranches, but also on the use of the different tranches and on the economic sectors involved;
- the budgetization of borrowing and lending operations;
- strengthening the role of the Commission in its dealings with the EIB;

3. Recalls that the aim of the conciliation procedure established by the interinstitutional agreement of 1975 is to bring the differing positions of the Council and Parliament closer together; notes with satisfaction that, unlike the previous conciliation on the NCI, the conciliation meeting took place in a constructive spirit;

4. Wishing to bring the various positions closer together in the spirit of the conciliation procedure, limited its demands to a few essential issues - the permanence of the instrument, budgetization and consultation of Parliament on the use of the tranches - with the aim of securing a joint declaration on them;
5. Notes that the conciliation committee was able to reach broad agreement on these issues, which are the subject of a joint declaration; considers it necessary, however, to point out that Parliament's demands go much further and that it has no intention of abandoning them, but that it accepted the joint declaration in the interests of reaching a consensus;
6. Stresses that the 'other productive sectors' mentioned in the joint declaration on the use of the tranches include the services and commercial sectors;
7. Notes that EEC borrowing operations and, in particular, those intended to promote investment within the Community are guaranteed by the budget and takes note of a declaration made by the Commission to that effect; stresses that it was agreed at the conciliation meeting to specify in the minutes of that meeting that Parliament considers it essential for the budgetary authority to confirm the tranches authorized under the third NCI at the time when the budget is adopted; insists that the budgetization of borrowing and lending operations within the framework of the revision of the Financial Regulation should be effected as soon as possible;
8. Declares its support for the borrowing and lending mechanism in question which, for all practical purposes, is now permanent and is an irreplaceable Community instrument for the promotion of investment; repeats that if it is to fulfil this much needed promotional function, the pragmatic approach followed up to now must lead to recognition of its permanent nature; deeply regrets that the response of the Council has been only partially satisfactory in this regard;
9. Approves, subject to the above remarks, the Council decision and the joint declaration.

EXPLANATORY STATEMENT

1. On 18 April the conciliation committee, consisting of members of the Council and ten representatives of Parliament, met to discuss the introduction of a 3rd 'New Community Instrument' for the promotion of investment within the Community.

The Parliament delegation consisted of: Mr PFLIMLIN, chairman of the delegation; Mr MOREAU, chairman and rapporteur of the Committee on Economic and Monetary Affairs; Mr GOUTHIER, draftsman of an opinion for the Committee on Budgets; Mr AIGNER, chairman of the Committee on Budgetary Control and member of the Committee on Budgets; Mrs DESOUCHES, Mr DELOROZOY, Mr GIAVAZZI and Mr HOPPER, members of the Committee on Economic and Monetary Affairs; Mr ADONNINO and Mrs HOFF, members of the Committee on Budgets.

I - The positive aspects of the interim position adopted
by the Council prior to the conciliation meeting

2. As the President of Parliament had done just before the conciliation meeting, the chairman of the delegation, Mr PFLIMLIN, called attention to the importance attached by Parliament to the conciliation procedure established in 1975 between the Community institutions, the primary aim of which is to bring the positions of Parliament and the Council closer together, especially when the Council has not accepted Parliament's proposals on Community acts having significant financial implications.

Since the starting positions of the two Institutions were completely different from those adopted for the conciliation meeting on the 2nd NCI, the conciliation meeting on the 3rd NCI had every chance of succeeding. Indeed, as the President of the Council pointed out in his introductory statement, the interim position adopted by his Institution in the light of Parliament's opinion on the 'decision creating the 3rd NCI' included a number of very important new elements compared with the decisions of 1978 and 1982, which, as the conciliation committee unanimously agreed, demonstrated that 'significant progress had been made by the Council towards accommodating the wishes expressed by Parliament'.

Not only does the Council propose to make the 3rd NCI's financial endowment three times larger than that of NCI 2 (3,000 million units of account), it has also agreed to act in future by a qualified majority on the implementation of decisions concerning the application of NCI 3. The qualified majority procedure will ensure that Parliament's views are better heeded, both on the areas to be granted financial assistance and on the amount of the tranches of the New Community Instrument. The Council has also taken account of Parliament's views in providing that resources may also be set aside for financing the productive investments of small and medium-sized undertakings. Furthermore, it has improved matters concerning the respective roles of the Commission and the European Investment Bank by requiring that loan applications must in future be forwarded simultaneously to the two Institutions and that both should sign the financing contracts. As far as parliamentary control is concerned, the Council's interim position is also encouraging, since it has been decided that in future the Commission must inform the Council and Parliament every six months of the rate of utilization of the tranches.

II - The position of the Parliament delegation during the conciliation meeting

(a) The permanence of the 'New Community Instrument'

3. After enumerating the points of agreement outlined above and noting with satisfaction that they augured well for a satisfactory outcome to the conciliation meeting, the Parliament delegation called attention to two types of problem which were of equal importance in substantive terms but involved different time-scales.

The Parliament delegation felt that it was essential first and foremost to reaffirm the permanent nature of the borrowing and lending operations made possible by the NCI. In support of its case, the delegation pointed out that the increase in the number of projects financed under the NCI since its inception in 1978 demonstrated that the NCI satisfied a real need. It therefore believed that the conciliation committee should acknowledge that this aid instrument was for all practical purposes here to stay and that, looking to the future, it should at least express the hope that decisions relating to the Community's borrowing and lending policy should henceforth be based on a permanent Community investment policy.

(b) Consultation of Parliament on the economic sectors qualifying for aid and on the amount of the loan tranches

4. Again with a view to the immediate future, the Parliament delegation considered it essential for the conciliation meeting to confirm the need for genuine consultation of Parliament not only on the amount of the loan tranches, but also on the economic sectors in respect of which loans may be contracted. These principles were set out by Parliament's representatives in the following draft text, which they hoped would be accepted as a joint declaration of the conciliation committee:

'The conciliation committee stresses the importance of NCI contributions to help with the financing of small and medium-sized undertakings and, in this context, approves the fact that the 'Decision' (creating the 3rd NCI) has effectively made NCI aid accessible not only to the industrial sector, but to all other sectors as well.'

5. A second set of problems concerned the budgetization of Community borrowing and lending operations and its repercussions on the 3rd NCI, and relations between the Commission and the European Investment Bank in connection with the utilization of this New Community Instrument.

(c) The budgetization of Community borrowing and lending operations and its consequences for NCI 3

6. The Parliament delegation recalled that since 1978 Parliament had insisted on the need for the Community's borrowing and lending policy to be integrated into Community budgetary policy founded on the general budget. It pointed out that this was one of a number of principles which could on no account be abandoned, since they had long since been adopted by Parliament and reaffirmed at the two conciliation meetings devoted to the 1st and the 2nd NCIs. It reminded the Council of the following declaration, recorded in the minutes of the conciliation meeting of 16 October 1978 on the 1st NCI:

'The Council and the European Parliament noted that the Commission has submitted a proposed amendment to the Financial Regulation establishing a 'capital budget', as distinct from the ordinary budget, for all the Community's borrowing and lending operations. The European Parliament has already endorsed the Commission's proposal.

The Council and the European Parliament hereby declare that the borrowing and lending operations provided for by the new financial instrument (Ortoli facility) are subject to the general regulations in force . This means that on completion of the legislative procedure for amending the Financial Regulation of the Communities on the basis of the Commission proposal concerning the introduction of a capital budget, which has already been approved by the European Parliament, the same regulations will apply to this new financial instrument.'

The Parliament delegation recognized that the problem of the budgetization of Community borrowing and lending operations had to be settled within the framework of the revision of the Financial Regulation, but pointed out that this revision was now imminent and that account had also to be taken of the commitments entered into by the three institutions in the context of the joint declaration of 30 June 1982 on various measures to ensure that the budgetary procedure operated more smoothly.

7. In the light of these preliminary considerations, the Parliament delegation proposed:

- that a conservative approach should be adopted towards the 3rd NCI and that it should therefore be stipulated that 'the procedure for authorizing the tranches and laying down the guidelines for the eligibility of projects, as provided for by Article 2 of the proposal for a decision, shall be of a provisional nature and reviewed in connection with the budgetization of Community loans';
- that 'the budgetary authority should undertake to confirm, at the time of the adoption of the budget, the tranches authorized in accordance with the procedure laid down by Article 2 of the Decision on the 3rd NCI'.

The Parliament delegation considered, moreover, that this second principle was quite naturally justified by the fact that the borrowing operations designed to promote investment within the Community are already guaranteed by the Community budget, which has an appropriate budget line with a p.m. entry.

(d) Relations between the Commission and the European Investment Bank

8. The Parliament delegation stressed how important it was for the Commission to retain - without there being any possible confusion of roles - its political responsibilities at the stage when decisions were taken on the loans to be granted under the New Community Instrument, and how desirable it was at the same time to clarify the implementing powers vested in the EIB.

Without going so far as to insist on an amendment to the 'Decision' creating the 3rd NCI, the Parliament delegation pointed out that, in exercising its powers of control, Parliament would take care to ensure that there was a proper division of powers and hence pay close attention to the way in which the Commission's role and responsibilities were assessed.

III - The Council's proposals

9. On the question of the use of the tranches, the Council accepted Parliament's viewpoint. It requested, however, that the relevant part of the joint declaration should be modified to specify that NCI aid should be earmarked not just for the industrial sector, but also for other productive sectors. This form of words was slightly restrictive compared with that recommended by Parliament, in which the reference to intervention sectors other than the industrial sector was much more general and was intended to include, inter alia, the services and commercial sectors.

10. On the subject of the permanence of the NCI, the Council, while accepting some of the Parliament delegation's conclusions, was not prepared to commit itself in the joint declaration on the proceedings of the conciliation committee to a reference to the instrument's permanent nature.

Nor was it prepared to commit itself unequivocally to some future affirmation of the instrument's permanence.

The Council agreed to Parliament's proposal that the joint declaration should state that 'the increase in the number of projects financed under the NCI since its inception in 1978 demonstrates that it meets a need'. It also requested that the joint declaration should include the observation made by its President at the start of the conciliation meeting, namely: 'The fact that we have advanced as far as the 3rd NCI is some indication of the instrument's continuity'. It should be pointed out in this connection that, immediately after making this observation, the President of the Council said that 'the Council is indeed aware of the economic and political need for the Community to make, in view of the present state of the economy, a significant contribution to the efforts of the Member States to foster productive investment'.

11. Declaration on the procedure laid down by Article 2 of the Decision creating the 3rd NCI

Without wishing to avoid the budgetization problem, the Council preferred that the joint declaration should mention the procedure laid down by Article 2 of the Decision and not make an explicit reference to budgetization as such. It accepted the substance of the first part of the text proposed by the Parliament delegation and suggested the following wording:

'The procedure for authorizing the tranches and laying down the guidelines for the eligibility of projects, as provided for by Article 2 of the proposal for a decision, may be reviewed in connection with the budgetization of Community loans'.

12. The Council rejected that part of the text proposed by Parliament which reaffirmed that the borrowing operations were guaranteed by the Community budget, on the grounds that the Commission had stated that the legal and the de facto situation rendered it superfluous.

IV - The conciliation committee's conclusions

13. As regards the use of the tranches, in the interests of reaching a compromise and bearing in mind that the Council had accepted the substance of its proposal, the Parliament delegation agreed to the Council's modification, to the effect that NCI aid should be earmarked not just for the industrial sector, but also for other productive sectors.

14. As regards the permanence of the NCI, the Parliament delegation rejected as too weak a text proposed by the Council to the effect that, in view of the needs that had come to light since 1978, the Community institutions should adopt in good time subsequent decisions concerning the possible renewal of the NCI.

Echoing the views repeatedly expressed by Parliament as a whole, the Parliament delegation stressed that it was quite impossible not to insist on the permanent nature of what was a key instrument of Community investment policy, particularly if one looked to the future. Nevertheless, in order not to deny the Community the benefits of a renewal of this instrument which, in this period of economic crisis more than at any other time, is an irreplaceable element of the Community's policy of solidarity, the Parliament delegation agreed that the expression of its permanent nature should be couched in the cautious terms proposed by the Council. Consequently, after repeating the first sentence of Parliament's proposal, the conciliation committee's joint declaration was made to read as follows:

'The increase in the number of projects financed under the NCI since its inception in 1978 demonstrates that it meets a need. The fact that the Community has already advanced to NCI 3 is, at all events, an indication of the instrument's continuity'.

While hoping for a favourable and definitive outcome to the conciliation procedure so that NCI 3 can become operational as soon as possible, the delegation remains convinced that Parliament has a duty to insist, in its resolution on the results of the conciliation procedure, that as an irreplaceable instrument of Community investment policy the NCI must from now on be permanent.

15. Since the Council incorporated into the first paragraph of its own text the fundamental principles proposed in the text of the declarations submitted by Parliament, the latter was able to accept the declaration on budgetization.

16. As for the need to confirm that the Community budget is not a passive accounting instrument for decisions taken outside its ambit, the Parliament delegation prevailed upon the Council to agree to the inclusion in the minutes of the conciliation meeting (if not in the conciliation committee's joint declaration) of the following principle: 'The budgetary authority undertakes to confirm, at the time of the adoption of the budget, the tranches authorized in accordance with the procedure laid down by Article 2 of the Decision concerning the 3rd NCI'. The Parliament delegation is convinced that the confirmation of such principles in the minutes of the conciliation meeting will have a decided political impact, such as will reinforce the Community nature of the 3rd NCI and enhance the role which Parliament and the Community budget must play during the implementation of this key financial instrument.

In order to avoid a situation in which a unilateral decision is taken by the Council - a situation which arose with NCI 2 - the Parliament delegation felt that it should indicate the importance it attaches to the conciliation process through a joint declaration.

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17. Since the compromises which were reached and which appear in the conclusions bring the positions of the two Institutions on the creation of the 3rd NCI much closer together, the conciliation delegation recommends that Parliament should consider the conciliation procedure to have been completed and allow the Council to act finally on the creation of the 3rd NCI, thereby providing the Community with a new financial resource for the financing of its investment policies.

