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REPORT

drawn up on behalf of the Committee on Budgetary Control
on the decision granting a discharge in respect of the
implementation of the budget of the European Communities
for the 1983 financial year

Rapporteur: Mr P.N. PRICE

- PART C -

Opinions delivered by the various committees

WG(2)/1792E

PE 95.678/C/fin.



Opinions for the Committee on Budgetary Control
in the context of the discharge to be granted to the Commission of the EC
for the 1983 financial year

Opinion of Committee on Agriculture, Fisheries and Food *	Mr I. FRUH
Opinion of Committee on Energy, Research and Technology	Mr ADAM
Opinion of Committee on Social Affairs and Employment	Mr CASSIDY
Opinion of Committee on Regional Policy and Regional Planning	Mr DUCARME
Opinion of Committee on the Environment, Public Health and Consumer Protection	Mrs LENTZ CORNETTE
Opinion of Committee on Youth, Culture, Education, Information and Sport	Mr PAPAPIETRO
Opinion of Committee on Development and Cooperation	Mr VERGEER
Opinion of Committee on Women's Rights	Mrs DE BACKER-VAN OCKEN

* Two opinions from Committee on Agriculture, Fisheries and Food:- one on the annual report of the European Court of Auditors concerning the financial year 1983 and the second in the form of a letter on the Thirteenth Financial Report on EAGGF for 1983 (COM(84)485 final and COM(84)486 final)

28.3.85

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Agriculture, Fisheries and Food

Draftsman: Mr Isidor FRUH

At its meeting of 23 January 1985 the Committee on Agriculture, Fisheries and Food appointed Mr Isidor FRUH draftsman of the opinion.

The committee considered the draft opinion at its meeting of 26/27 February 1985 and adopted the conclusions unanimously at that meeting.

The following took part in the vote: Mr TOLMAN, chairman; Mr EYRAUD, vice-chairman; Mr FRUH, draftsman; Mr CLINTON, Mr DEBATISSE, Mr GAIBISSO (deputizing for Mr DALSASS), Mr GATTI, Mr GUARRACI, Mr GUERMEUR (deputizing for Mr MUSSO), Mr HAPPART, Mr MAHER, Mr MERTENS, Mr F. PISONI, Mr REMACLE (deputizing for Mr VERNIMMEN), Mr SPATH (deputizing for Mr BOCKLET) and Mr STAVROU.

1. INTRODUCTION

The annual report of the European Court of Auditors ('Court') constitutes part of the procedure for examining the implementation of the budget. At the end of each financial year, the Commission draws up the accounts and the balance sheet and forwards them to the European Parliament, the Council and the Court. The Court subsequently prepares an annual report, which, together with the replies of the institutions to the Court's observations, are examined by Parliament and the Council in connection with the discharge to be given to the Commission by the European Parliament.

The following opinion for the Committee on Budgetary Control deals with the observations relevant to the common agricultural policy contained in Chapters 4 (EAGGF - Guarantee Section), 5 (EAGGF - Guidance Section) and 6 (Common fisheries policy).

The aim of this opinion is not to review the legal aspects of the Court's observations but rather to describe the effects of the implementation of the budget on the common agricultural policy. The draftsman will discuss only certain observations of particular importance.

2. EAGGF - Guarantee Section

2.1. The summary of the accounts for the financial year 1983¹ shows that payments totalling 15,919.6 million ECU were charged to the account, while the total available to cover EAGGF, Guarantee Section operations was 15,956.2 million ECU.

The difference of approximately 36.6 million ECU is small, given the difficulty of calculating necessary payments in advance. This amount was available in the budget but was not paid out. It must once again be pointed out here, as in previous opinions², that it would have been more sensible to enter this unused amount in a reserve instead of releasing it. In this way it would have been possible, to some extent at least, to offset on a multiannual basis unforeseeable expenditure resulting from fluctuations in harvests and the fixing of prices.

2.2. The Court criticizes the budgetary authority for the inadequate provision of funds in amending and supplementary budget No. 2 for 1983 and for its late adoption³. According to the Court, it was apparent in April 1983 that a further 2,000 million ECU would have to be found; in July 1983 the Commission requested the granting of only 1,811 million ECU, which was subsequently reduced to 1,761 million ECU when the budget was finally adopted. As a result, expenditure of approximately 675 million ECU - mostly advances due for payment to private individuals - had to be carried over and could not be paid until the financial year 1984.

¹OJ No. C 348 of 31.12.1984, table 4.1

²Opinion of the Committee on Agriculture, Fisheries and Food on the 1982 annual report - PE 89.081 final
Opinion on the 1984 budget - Doc. 1-900/83/Ann.

³Paragraphs 4.9 and 4.12

It must be recognized that the advance payment of agricultural expenditure always involves elements of uncertainty; however, there is reason to question the effectiveness of the system for obtaining information on actual expenditure obligations in the Member States when the delays are such that at the end they affected almost all the chapters of the expenditure and at an early stage resulted in blockages.

In addition to the fact that this is contrary to the principle of the annuality of the budget, it also calls into question the reliability of budgetary management.

- 2.3. The Court criticizes the fact that, as a result of the transfer of expenditure to 1984, the actual increase in costs in the financial year 1983 as compared with 1982 is not immediately apparent⁴. While the accounts for 1983 show an increase of 27.5%, the actual increase in expenditure, according to the Court's estimates, is 40.7%.

It must be made clear here that the Commission cannot be accused of bad financial management on the basis of this situation alone. Responsibility lies first and foremost with the Council, which takes decisions on prices and accompanying measures while the decisions on the allocation of appropriate funds (e.g. in supplementary and/or amending budgets) are delayed. At all events, the Commission cannot take arbitrary measures to reduce expenditure when there is a shortage of funds.

- 2.4. Multiannual operations in the olive oil and fibre flax sectors (e.g. promotion) were financed by means of deductions from the subsidies intended for this sector⁵. The management of these multiannual operations sometimes involved the earmarked deductions being saved up over a number of years and only then being used to finance a specific measure (e.g. the oil register). The Court takes exception to this method of management since it does not respect the principle of differentiated appropriations for multiannual management. The Committee on Agriculture, Fisheries and Food, however, shares the Commission's view that the deductions do not constitute revenue within the meaning of the Financial Regulation and that the relevant management rules need not, therefore, be strictly observed. The procedure chosen by the Commission allows for more flexible financing of the measures concerned. The Court's criticism should not, therefore, be endorsed.
- 2.5. The cost of public storage of intervention stocks was 2,007 million ECU in 1983, almost twice the figure of 1,031 million ECU in 1982⁶. This rise resulted essentially from the increase in intervention stocks of milk products and beef and veal. The cost of private storage, on the other hand, was approximately 900 million ECU, the same as in 1982.

⁴Paragraph 4.65

⁵Paragraph 4.21

⁶Table 4.5

At the same time, there was a reduction in the financing of Community exports. When there is a shortage of funds, surpluses result first and foremost in a greater accumulation of public stocks because in the short term this way of dealing with surpluses is less expensive than export subsidies.

The Committee on Agriculture agrees, however, with the Court's assessment that intervention storage is, in the long term, much more expensive because technical and financial costs are high in the event of prolonged storage and disposal costs (e.g. export subsidies) must still ultimately be paid when storage capacity is exhausted.

The Committee on Agriculture, Fisheries and Food reiterates the demand it has made many times before that intervention measures in sensitive sectors should be supplemented by exports at an early stage rather than when storage capacities are exhausted. In addition to the long term savings, this would substantially reduce the force of the criticism levelled at the common agricultural policy because of overflowing intervention stocks and excessive surpluses.

2.6. The Court repeats the recommendations contained in its report drawn up in response to the declaration of the European Council in Stuttgart⁷ on 18 June 1983, which it considers will lead to better monitoring of the management of individual markets. These recommendations include:

- specification that the appropriations allocated for each market may not be exceeded
- special accounts for each market
- close link between agricultural decisions and budgetary decisions⁸

At first sight, these proposals would seem to offer a means of restoring order to the growing agricultural budget. The Committee on Agriculture, Fisheries and Food must, however, make it clear that these proposals would mean that the common agricultural policy was strictly subordinated to budgetary requirements. This would conflict with the special status of the common agricultural policy under the provisions of the EEC Treaty and would lead to inflexible agricultural management, the burden of which would be borne by the agricultural producers alone. The Committee on Agriculture, Fisheries and Food must therefore warn against the adoption of the proposals.

2.7. In 1983 the Member States reported in all 167 cases of irregularity, involving a total amount of 11 million ECU. One Member State accounted for 64% of the cases reported and 68% of the amounts wrongly paid. This does not mean, however, that fraud is more prevalent in this Member State than in the other Member States; it is rather an indication that the interpretation of irregularity is more strict in this Member State and that more rigorous action is taken against such cases than in the other Member States.

⁷OJ No. C 287 of 24.10.1983

⁸Paragraph 4.56

When following up the recovery of sums wrongly paid to private individuals, the Commission, at the suggestion of the Court, has started to distinguish between the responsibility of the Community and the responsibility of the Member States for failure to recover amounts. If a Member State is guilty of negligence, it must pay the sums which cannot be recovered.

The Committee on Agriculture, Fisheries and Food is in favour of this procedure since it will prompt the Member States to improve their monitoring systems. In view of the present legal and staffing situation, the Commission cannot be expected to step up considerably its monitoring efforts in this area; it is first and foremost the responsibility of the Member States to apply rigorous and speedy methods of recovery which will discourage fraudulent practices. For this reason the Committee on Agriculture, Fisheries and Food cannot wholly support the Court's criticism in this area ⁹.

3. EAGGF - Guidance Section

3.1. Measures financed from the EAGGF Guidance Section accounted for commitments totalling 899.3 million ECU (= 86.3% of the total of 1,042.4 million ECU available) and payments totalling 749.6 million ECU (= 70.3% of the total of 1,065.9 million ECU available)¹⁰.

3.2. The Court makes the general observation that there are still difficulties with the implementation of measures because the planning does not take account of local conditions at a sufficiently early stage. The Committee on Agriculture, Fisheries and Food also has the impression that further improvements can be made in this area.

3.3 The Court devotes particular attention to the implementation of Regulation No. 355/77 of 15 February 1977 concerning the financing of projects to improve the conditions under which agricultural products are processed and marketed¹¹. The contribution from the EAGGF Guidance Section takes the form of a subsidy of up to 50% of the cost of approved projects in the Member States.

The Court criticizes the fact that there is insufficient investigation of the profitability of contributions to many projects, with the result that the financial situation of almost half of the assisted undertakings deteriorated after the aid was granted. The Court surmises that in such cases the aid led to increased investment and operating costs which could not be absorbed by the undertakings concerned.

⁹Paragraph 4.39

¹⁰Table 5.1

¹¹OJ No. L 51 of 23.2.1977, page 1

The Committee on Agriculture, Fisheries and Food points out that, as a rule, the success of measures under Regulation No. 355/77 cannot be entirely guaranteed because the future development of an undertaking does not depend solely on the aid from the EAGGF. However, if, as the Court states, this aid led to financial difficulties in almost half of the assisted undertakings in certain Member States, it must be assumed that the investigations of the undertakings' accounts which must be carried out before the measures are implemented did not pay sufficient attention to the profitability of the aid.

- 3.4. According to the Court, certain measures produced undesirable side-effects in one Member State¹².

Following the grant of aid to two cheese factory projects, the production of milk powder increased in one factory, while in the other increased quantities of treated milk were supplied to undertakings manufacturing milk powder intended for intervention. The Commission states in its reply that in both cases the aid was intended to increase cheese production and reduce butter production; this aim was achieved, which puts the so-called undesirable side-effects in a different light. They are in fact secondary effects which are difficult to avoid and must be accepted in the interests of the primary objective of shifting production.

The same is true of certain projects aimed at expanding the inadequate slaughtering capacity in certain regions of a Member State. The slaughtering capacity was indeed increased, but the project could not prevent the use of intervention since this was not its primary aim.

It is to be hoped that in future the criteria for aid will be adjusted so that the undesirable side-effects described can be avoided. The criteria should not, however, be so restrictive that it is scarcely possible to achieve the primary aims. The Committee on Agriculture, Fisheries and Food can support the Court's criticism in this area only with reservations.

4. Common Fisheries Policy

- 4.1. It was not until the beginning of 1983 that a genuine common fisheries policy was established through the adoption of Regulations Nos. 170/83 and 171/83 of 25 January 1983 relating to access to Community waters and the conservation and management of fishery resources¹³. Under Chapter 40 of the budget, the commitments entered into in 1983 totalled 87.8 million ECU (= 83.1% of the total 105.6 million ECU available) and the payments totalled 54.8 million ECU (= 71.8% of the total 76.3 million ECU available).
- 4.2. In the fisheries sector, the EAGGF Guarantee Section finances primarily export refunds and intervention. The finance is granted subject to the condition that the Community rules on the conservation of resources and the maximum catch quotas for each species of fish have been respected.

¹² Paragraphs 5.26 and 5.27

¹³ OJ No. L 24 of 27.1.1983, pages 1 and 14

- 4.3. The Court has pointed out that over a number of financial years refunds were paid out in a Member State for catches which exceeded the quotas for 1981, 1982 and 1983 by 450%, 290% and 260% respectively. The Commission did not suspend advances to the Member State for these refunds because, in its view, there was not sufficient evidence that the quantities concerned were actually caught by fishermen of this Member State.

The Committee on Agriculture, Fisheries and Food must here agree with the Court, which considers it indefensible that the Commission should defer clarification of the matter and any necessary measures until the time of clearance. In order to ensure respect for Community rules and the solidarity among Member States which this requires, more decisive action on the part of the Commission would have been appropriate.

5. CONCLUSIONS

The Committee on Agriculture, Fisheries and Food submits to the Committee on Budgetary Control the following conclusions concerning the annual report of the Court of Auditors for the financial year 1983:

The Committee on Agriculture, Fisheries and Food

- 5.1. points out that the annual report for 1983 does not reveal any serious contravention of budgetary provisions in the implementation of the EAGGF,
- 5.2. draws attention to the difficulties involved in the management of the EAGGF as a result of the lack of cohesion between budgetary decisions and decisions on agricultural prices,
- 5.3. asks that unused appropriations allocated to the EAGGF Guarantee Section in the budget no longer be released and that they be entered in a reserve to help offset unforeseeable expenditure on a multiannual basis,
- 5.4. calls for better communication between the Member States and the Commission with regard to actual expenditure obligations in order that any necessary amending and/or supplementary budgets can be submitted as soon as possible,
- 5.5. considers it unacceptable that due payments had to be blocked and carried over to the financial year 1984 simply because an amending and supplementary budget was adopted far too late and did not provide sufficient funds, despite the fact that the shortages were apparent at an early stage,
- 5.6. urges the Commission, when managing certain surpluses, to make greater efforts to find a way of exporting the products concerned immediately, even if the associated subsidy costs are initially higher than the predicted costs of public storage; since the stored products are in any case mostly exported after a certain period of time, the net cost of public storage is in fact higher than the cost of immediate export supported by subsidies,

- 5.7. calls on the Member States to adopt a more rigorous approach to the disclosure of irregularities to ensure that penalties for frauds and irregularities do not vary from one Member State to another,
- 5.8. welcomes, in this connection, the fact that the Commission has started to implement a procedure whereby amounts which cannot be recovered as a result of negligence on the part of a Member State are charged to that Member State at the time of clearance,
- 5.9. calls for greater account to be taken of local conditions at the beginning of the planning stage of measures under the EAGGF Guidance Section,
- 5.10. notes that aid measures under Regulation No. 355/77 concerning the financing of projects to improve the conditions under which agricultural products are processed and marketed have resulted in undesirable side-effects (greater use of intervention); emphasizes, however, that the primary objectives of the aid were achieved in all cases and that the side-effects referred to could not be eliminated without jeopardizing the projects as a whole,
- 5.11. calls on the Commission to step up its supervision with regard to the conservation and management of fishery resources to ensure that the persistent danger of certain Member States exceeding their catch quotas is eliminated in future,
- 5.12. warns expressly against the adoption of the Court of Auditors' proposals that the common agricultural policy should be subordinated to budgetary specifications since this would lead to inflexible agricultural management, the burden of which would be borne by the agricultural producers, and would thereby jeopardize the principles laid down in the EEC Treaty.

OPINION

OF THE COMMITTEE ON AGRICULTURE, FISHERIES AND FOOD

Letter from the chairman of the committee to Mr Heinrich AIGNER, chairman of the Committee on Budgetary Control

21 December 1984

Subject: Thirteenth Financial Report on the European Agricultural Guidance and Guarantee Fund for 1983
(COM(84) 485 final and COM(84) 486 final)

Dear Mr Aigner,

The Committee on Agriculture, Fisheries and Food¹ considered the above report at its meeting of 17 December 1984.

The submission of this report should be used by Parliament as an opportunity to draw conclusions for the future. My committee would like to submit the following conclusions to your committee:

The Committee on Agriculture, Fisheries and Food

1. Notes that expenditure under the Guarantee Section was around one-third higher than during the previous year, although this amount is nevertheless equivalent to 0.62% of Community GNP and thus on a par with other industrialized nations;
2. Points out that the growth in agricultural expenditure in 1983 is primarily attributable to the general increase in yields combined with the decline in exports (especially of dairy products) and falling consumption, obliging the intervention agencies to buy in and store larger quantities than in the past;
3. Points out that this trend occurred during a period of falling world market prices, thus necessitating higher export refunds and larger amounts of aid to producers in the sectors concerned and that, in part as a result of the accession of Greece, higher payments in respect of certain Mediterranean products became necessary;
4. Is convinced, having regard to these trends, of the need to introduce a system of priorities designed to deal with the problem of production surpluses while maintaining the economic viability of other sectors of the Community which are dependent on agriculture, paying particular attention to the needs and interests of small and medium-sized farms, whose income is directly related to the usable agricultural area;
5. Approves the Commission's efforts to curb irregularities and calls on the Member States to cooperate by notifying the Commission of irregularities;
6. Approves also the Commission's efforts to make up the delays in the clearance of accounts, since this is likely to facilitate the establishment of appropriations in future budgets;

7. Regards the 30% drop in food aid expenditure as extremely regrettable; attributes responsibility for this to the Council because of its delay in adopting the Community programmes;
8. Notes that, even though expenditure under the Guidance Section was some 25% up on 1982, it still accounts for only a minute share of overall agricultural expenditure;
9. Takes the view that appropriations earmarked for the Guarantee Section which have been released as a result of the application of more selective criteria should be allocated to the Guidance Section;
10. Shares the Commission's conviction that, as well as increasing the overall allocation of appropriations for the Guidance Section, support for small farmers should be increased, especially in respect of mountain and hill areas and the least-favoured areas;
11. Believes that these annual reports by the Commission serve a valuable function as a challenge and a stimulus to all Community institutions, because they illustrate the importance of a far more fundamental and realistic reform of the Common Agricultural Policy than has been proposed hitherto, based on new priorities; however, such a reform must not constitute a renationalization of the CAP.

Yours sincerely,

(sgd) Teun TOLMAN

¹ Present: Mr Tolman, chairman; Mr Eyraud, Mr Graefe zu Baringdorf and Mr Mouchel, vice-chairmen; Mr Bocklet, Miss Brookes (deputizing for Mr Simmonds), Mr Clinton, Mr Früh, Mr Gatti, Mr Guarraci, Mr Herman (deputizing for Mr Debattise), Mr MacSharry, Mr Maffre-Baugé, Mr Marck, Mr Mertens, Mr Morris, Mr Pranchère, Mr Raftery (deputizing for Mr Borgo), Mr Romeos, Mrs Rothe, Mr Sutra and Mr Thareau.

O P I N I O N

of the Committee on Energy, Research and Technology

Draftsman: Mr ADAM

On 21 November 1984, the Committee on Energy, Research and Technology appointed Mr ADAM draftsman of the opinion.

The Committee considered the draft opinion at its meetings of 22 January and 30 January 1985. It adopted the draft opinion on 30 January 1985 unanimously.

The following took part in the vote: Mr PONIATOWSKI, Chairman, Mr ADAM, draftsman, Mr BONACCINI (deputizing for Mr IPPOLITO), Mr HUTTON (deputizing for Mr MOLLER), Mr METTEN (deputizing for Mr LINKOHR), Mr MUNCH, Sir Peter VANNECK (deputizing for Mr TOKSVIG), Mrs VIEHOFF and Mr WEST.

I. INTRODUCTION

1. This review of the execution of the parts of the 1983 Budget falling within the competence of the Committee on Energy, Research and Technology (Chapters 70-73 inclusive, Chapter 75 and Articles 770-773 of Chapter 77) will be principally concerned with the comments set out in Chapter 9 of the report of the Court of Auditors for 1983¹, and the Commission's replies thereto, and with the situation regarding the utilisation, in particular, of appropriations entered in the budget by the European Parliament in the course of the budgetary procedure for the financial year 1983².

2. The following table shows the general situation as regards the utilisation of 1983 appropriations (in brackets, overall utilisation rate relative to 1983 appropriations and carry-overs from 1982):

CHAPTER	TITLE	COMMITMENTS		PAYMENTS	
			%		%
70	ENERGY	98.0	(98.1)	23.9 ³	(90.1)
71	NUCLEAR SAFEGUARDS	100.0	(100.1)	48.7	(63.4)
72	PREPARATORY RESEARCH	87.9	(87.9)	21.3	(42.4)
73	RESEARCH	91.4	(91.0)	76.6	(87.0)
75	INNOVATION	44.1	(65.68)	23.9	(47.03)
77	INDUSTRY (TECHNOLOGY)	84.22	(92.1)	32.1	(56.4)

3. In reading the above table, it should be noted that the appropriations in Chapters 71 and 72 are all non-differentiated. In practice, this means that there is a certain sum available to be committed in a particular year, while the payments relating to those commitments may be made either in that year or the year following. In such cases it is normal for the rate of use of payments in the first year to be 50% or less. The same point applies to certain lines in other chapters, notably Chapters 75 and 77. Note that in the

¹ OJ No C348 of 31.12.1984

² See Committee on Energy, Research and Technology, Notice to Members of 30 January 1984, containing a document drawn up by DG XVII of the Commission on execution of the 1983 Budget (PE 88.881)

³ This figure rises to 90.9 if account is taken of Special Measures (Article 707)

case of multi-annual research programmes in Chapter 73 the commitment and payment appropriations remain available throughout the life of the programme. Detailed comments follow on certain lines in each of the chapters.

II. CHAPTER 70 - ENERGY POLICY

(i) Demonstration projects

4. Regarding the utilisation of appropriations for the demonstration project lines (7020,7021,7031,7032,7033 and 7044), the situation was complicated in 1983 by the long history of disagreement over the introduction of new programmes between the two parts of the budgetary authority. The disagreement made it necessary to invoke the conciliation procedure. The conciliation meeting took place in Luxembourg on 22 June 1983, and it was not until 11 July 1983 that the Council adopted Regulations (EEC) Nos. 1971/83 and 1972/83. The implementing Decisions were necessarily adopted even later still - in the case of Item 7020, for example, on 29 November.

5. This delay made it especially difficult to use all the commitment and payment appropriations in 1983 which had been entered in the year's budget. This was all the more regrettable in that Parliament had used some of its margin in order to enter or to increase appropriations on these lines. The appropriations were further increased by Supplementary Budget No. 1¹.

6. Nevertheless the Commission succeeded in committing a very creditable proportion of the sums available. The following table shows the utilisation rates for Articles 702, 703 and 704 (including transfers, carry-overs, etc.):

DEMONSTRATION PROJECTS - UTILISATION, BY ARTICLE

<u>Article</u>		<u>Commitments</u>	<u>Payments</u>
		%	%
702	Coal projects	88.3	9.8
703	New energies	96.2	20.3
704	Energy saving	98.9	46.8

¹ OJ No. L60 of 7 March 1983

(ii) Court of Auditors' observations on demonstration projects

7. The Court of Auditors felt the need to repeat certain observations which it made in the report for 1982. These related to: (a) the need for covering authority for contracts extending beyond the time specified in the relevant decision or regulation, and (b) the need for more specific information from contractors. It also had a reservation about the method of calculating interest on repayable advances to contractors introduced by the Commission in response to an earlier observation by the Court on the under-charging of such interest.

8. As regards (a) above, the Commission has replied that it will examine the possibility of making certain changes in future proposals for decisions. The Committee welcomes this assurance. As regards (b), the Commission says it does not agree that there is a lack of information from contractors, and it adds that it is unwilling to increase the amount of "red tape" for the firms concerned. The Committee sympathises with the Commission's point of view. The demonstration projects programmes have often been subject to severe but unnecessary administrative and political delays, for reasons which lay outside the control of the Commission service immediately concerned, and still more of the firms and other bodies involved. There is therefore a strong case for cutting "red tape" to the minimum in order to save time.

9. On the point concerning interest on advances, the Committee is satisfied that this is met by the Commission's reply to paragraph 9.8 of the Auditors' Report.

(ii) Other energy lines

10. 705 - Promotion of energy investments: This article gives rise to concern. Parliament entered 1m ECU in Chapter 100 for this proposed new Community activity, the whole of which sum lapsed at the end of the year because of the absence of a regulation, as did a further 5m ECU (non-differentiated) entered on the line by Supplementary Budget No. 1. Leaving aside the vexed question of the need for a regulation as a legal base, it is regrettable that Parliament should be put in the position of using its margin to make an increase in the budget for an eventuality which never in fact materialised. In the Preliminary Draft Budget for 1983, the Commission had actually asked for a provisional appropriation of no less than 12m ECU. Even if the regulation had been adopted, 1983 would still have been only the

start-up year for this activity, which was due to consist of providing interest rate subsidies for investments designed to promote the rational use of energy. Experience shows that in such circumstances it would have been very surprising if the Commission had been able to use 12m ECU in the course of 1983.

11. **706 - Energy programming:** This article received a transfer of 1.93m ECU from Article 704 (energy saving). The overall utilisation was 98.7% (commitments) and 75.8% (payments).

III CHAPTER 71 - NUCLEAR SAFEGUARDS

12. The 1983 appropriations were not the subject of any amendments by Parliaments. The rates of utilisation were satisfactory.

IV CHAPTER 72 - GENERAL AND PREPARATORY PROJECTS IN THE FIELD OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH

13. Parliament amended three of the articles in this chapter. The details are as follows:

14. **720 - Research projects in the field of technology and industry:** The draft budget had a token entry. The EP entered 0.49m ECU (non-differentiated) which had been proposed in the Preliminary Draft Budget. The Commission reports that all was committed but only 32.9% paid because the operation was still at its start-up phase.

15. **721 - Preparation of new research programmes:** The draft budget entry was 1.5m ECU (non-differentiated). The EP added 0.45m ECU, making 1.95m ECU. Inexplicably the Commission states in Volume 1 of the 1983 accounts that "of the 1.91 million ECU in appropriations for commitments, including 450.000 ECU added by Parliament, 1.58 million ECU (83%) was used". As has been shown, the initial appropriation was in fact 1.95m ECU and not 1.91m ECU. The percentage utilisation was therefore not 83% but 81%. Moreover, in the Preliminary Draft Budget, the Commission had asked for an appropriation of 2.2m ECU. Therefore the Commission actually committed only 71.8% of what it had originally estimated as necessary. The Court of Auditors rightly stresses the desirability of accuracy in the setting of budgetary appropriations (paragraph 9.3, p81).

16. **723 - Support for COST cooperation:** This article relates to expenditure on supporting concerted action research projects. The money is not actually spent on scientific research. The article was deleted by the Council when it drew up the draft budget. The Council took the view that this was not operational, but administrative expenditure which should therefore be covered by Section A of the Commission's budget. The EP disagreed, and entered an appropriation of 0.15m ECU. This reflected Parliament's strong support for the policy of concerted action in the management of European research. In the event, 89.2% of the appropriation was committed, but only a disappointing 31.1% was paid.

16. The Committee accepts the Commission's view that it will be desirable in future to enter preparatory studies for research in Chapter 73 with differentiated appropriations.

V CHAPTER 73 - RESEARCH AND INVESTMENT

(i) Introduction

18. Of the 1983 appropriations in this Chapter, the rates of utilisation were 91.4% (commitments) and 76.6% (payments). The position is therefore satisfactory as regards commitments, but less so as far as payments are concerned. If the actual payments made are expressed as a percentage of the total for the chapter in the Preliminary Draft Budget - the Commission's original estimate - the rate comes down to below 70%.

19. Parliament did not make many major amendments to this chapter. Three of the amendments which it proposed on first reading were partially accepted by the Council. These concerned lines 7374, 7381 and 7382. Consideration will also be given below to Item 7370, as well as to the Joint Research Centre items (7300-7334).

(ii) Indirect action

20. **7374 - Science and technology for development - indirect action:** The utilisation rates for this item were extremely disappointing: 37.7% (commitments) and 8.5% (payments). The Commission reports 'serious teething troubles' arising with regard to coordination between specialised European laboratories and their counterparts in the developing countries. The rate for commitment utilisation relates to an appropriation of 5m ECU. The Commission

had originally asked for 10m ECU. With hindsight, this can be seen to have been far too much. However, it is to be hoped that a success can be made of this type of activity in the long term.

21. **7381 - Scientific and technical training - indirect action:** Here too Parliament had sought to restore the PDB figure of 1.845m ECU for payments, but ultimately accepted a Council compromise of 1.65m ECU, of which, in the event, only some 77% was used. In future there will be no separate line for this activity, which will be funded out of the budgets of the individual research programmes. It is to be hoped that this will be a more effective arrangement.

22. **7382 - Stimulation of scientific and technical potential in the European Communities - indirect action:** The result of the budgetary procedure as regards this item was a compromise accepted by the Council involving Chapter 100 appropriations of 4m ECU from commitments and 2m for payments. The Commission states that the transfer to the line was agreed only on 14 July 1983. In these circumstances, it is creditable that 91% of the appropriation for commitments was used. However the rate of payment appropriations was exceptionally low, at 0.9%.

23. **7370 - Biomolecular engineering - indirect action:** In the case of this line, Parliament's first-reading amendment increasing the commitment appropriation from 3.5m ECU to the PDB figure of 3.87 was rejected by the Council, but finally reaffirmed by Parliament. The rate of utilisation was 96.6%. Therefore more than half of what Parliament added was in fact used.

24. **7300-7334 - The Joint Research Centre - direct action:** On the basis of all appropriations available (including any transfers, etc.) the rates of utilisation were better in 1983 than they had been in 1982. The rate for commitments rose from 89% to 94%. That for payments rose from 78% to 83%. It is to the credit of the management of the JRC that this was achieved in spite of the cancellation of the Super-Sara project.

VI CHAPTER 75 - INFORMATION MARKET AND INNOVATION

25. The rate of utilisation of 1983 appropriations was only 44.1% for commitments and 23.9% for payments. The Commission reports that the overall situation was undermined by the continued absence of a legal base for Item

7521 (Promotion of a supporting infrastructure for innovation and technology transfer). Parliament had raised that line from a token entry to 1.25m ECU (commitments) and 1m ECU (payments).

VII CHAPTER 77 - INDUSTRY AND THE INTERNAL MARKET

26. **7730 - Preparatory measures for the ESPRIT programme:** Parliament made a particularly important initiative here, entering appropriations of 11.5m ECU (commitments) and 7.5m ECU (payments) in place of the p.m. in the Draft Budget. The line further benefited from transfers from Item 7367, 7369 and 7341, as well as Article 775, together totalling 3.8m ECU. Of the overall amounts for commitment and payment appropriations, the respective utilisation rates were 96% and 46%.

VIII CONCLUSIONS

27. The Committee on Energy, Research and Technology:

(i) Congratulates the Commission on the generally good rate of utilisation of commitment appropriation and expresses particular appreciation of its achievement in the energy demonstration projects sector;

(ii) Finds greater variation in the rate of utilisation of payment appropriations, but in general accepts the reasons given by the Commission for this;

(iii) Notes, however, that low rates of utilisation for lines where the actual budgetary appropriation was lower than that originally proposed by the Commission in the Preliminary Draft Budget tends to throw doubt on the reliability of some of the Commission's working estimates;

(iv) Considers that, in its readings of future Draft Budgets, Parliament should bear the foregoing point carefully in mind before simply restoring appropriations to the levels of the Preliminary Draft;

(v) Draws attention to the difficulties caused by late adoption of regulations by the Council, which leaves insufficient time for the relevant appropriations to be committed in the orderly and efficient manner which optimum management requires;

- (vi) Notes that in Title VII approximately 18.5% of payments carried over from 1982 were cancelled;
- (vii) Considers that this proportion ought to be reduced in future years;
- (viii) Acknowledges that to judge the execution of a budget in terms of rates of utilisation is to use a quantitative and not a qualitative criterion;
- (ix) Points out at the same time that wide variations in rates of utilisation cause a distortion of the qualitative priorities which the figures approved by the Budgetary Authority represent;
- (x) Deplores, accordingly, factors which contribute to such variation, especially:
- (a) the late adoption of regulations constituting legal bases for expenditure;
 - (b) unrealistic estimates of the levels of appropriation needed for a given year;
- (xi) Regrets, with regard to Special Measures (707), that the qualifying criteria for projects have not been sufficiently stringently controlled, especially with regard to:
- (a) their newness;
 - (b) their Community character;
 - (c) their significance for European energy policy;
- (xii) Notes that the Commission has already made the report on the 1980-83 programme of the Joint Research Centre requested in the Court of Auditors Report for 1983 (paragraph 9.10);
- (xiii) Trusts that the Commission will act on the constructive observations contained in the Court of Auditors Report for 1983, especially as regards:
- (a) awarding direct action research contracts on a basis of public tender rather than private treaty (9.12-13);
 - (b) management procedures relating to indirect action research contracts (9.21);

(xiv) Approves the Commission's intention to enter the appropriations for preparatory studies for research, which have hitherto been non-differentiated appropriations in Chapter 72, in Chapter 73 in future, as differentiated appropriations;

(xv) Recommends, with respect to the European Parliament's own approach to the drawing up of future budgets, that

- (a) a more consistent line be taken with respect to budget lines for which the corresponding Regulation or other legal act has not yet been adopted;
- (b) a more realistic appraisal should be made of the level of payment appropriations for activities which are expected to begin in the course of the financial year.

(xvi) Calls on the Commission to improve the clarity of its presentation of the annual Revenue and Expenditure Account and Balance Sheet, and regrets that it has been necessary to repeat this request, which was first made last year.

O P I N I O N

(Rule 101 of the Rules of Procedure)
of the Committee on Social Affairs and Employment

Draftsman: Mr Bryan CASSIDY

On 18 December 1984, the Committee on Social Affairs and Employment appointed Mr Bryan CASSIDY draftsman of the opinion.

The committee considered the draft opinion at its meetings of 28 January 1985 and 21 February 1985. It adopted the draft opinion on 21 February 1985 unanimously with one abstention.

The following took part in the vote: Mr WELSH, Chairman; Mrs SALISCH, First Vice-Chairman; Mr CASSIDY, draftsman and substitute member; Mrs d'ANCONA; Mr BACHY; Mr BROK; Mrs CHOURAQUI; Mr CHRISTIANSEN; Mr ESTGEN (deputizing for Mr CHANTERIE); Mrs GIANNAKOU-KOUTSIKOU; Mr HÄRLIN; Mrs LARIVE-GROENENDAAL; Mr LONGUET (deputizing for Mr PININFARINA); Mrs MAIJ-WEGGEN; Mrs MARINARO (deputizing for Mr HOFFMANN); Mr PETERS; Mrs SQUARCIALUPI (deputizing for Mr RAGGIO); Mr STEWART; Mr TUCKMAN; Mr VGENOPOULOS.

Introduction

1. What obviously matters most to the Social Affairs Committee - and to the European Parliament as a whole - now, in 1985, is the performance of the 'new' European Social Fund, which started operating in 1984¹. Does that mean, therefore, that the performance of the Fund in 1983, the last year under the 'old' rules², can be regarded as past history, of little relevance to present preoccupations and requirements?

2. Certainly not, and for a number of reasons:
 - (a) First and foremost, the performance of the ESF was disappointing: 1983 was a year of high expectations for the Fund in the sense that, both before and after the actual adoption of the budget for that year, all the Community institutions seemed to be agreed on the priority to be given to the Fund in 1983 in view, notably, of the dramatically worsening employment situation, especially amongst young people. In this connection, particular mention should be made of the major resolution on Community action to combat unemployment adopted by Council in July 1982³, when there were 10.7 million registered unemployed as compared with 8.9 million at the same time the previous year, and the key resolution on the problem of unemployment among young people adopted by Parliament in April 1983 during the extraordinary part-session on employment, in Brussels⁴.

¹ Council Decision and Council Regulation of 17.10.1983 on the tasks of the European Social Fund, OJ L 289, 22.10.1983.

² Council Decision 71/66/EEC of 1 February 1971 on the reform of the European Social Fund, as amended by Decision 77/801/EEC, OJ L 28, 4.2.1971 and OJ L 337, 27.12.1977.

³ OJ C 186, 21.7.1982

⁴ OJ C 135, 24.5.1983

(b) The total resources finally available to the ESF for 1983 were substantially higher than in 1982. Albeit far from the "considerable increase" called for by the European Parliament in its resolution on the budgetary guidelines¹, the total appropriations earmarked for the Fund in the 1983 budget as adopted on 21 December 1982 did represent a significant improvement over the previous year², with 454 mECU more in commitments and 374 mECU more in payments (representing increases of +36.5 % and +41 % respectively). However, because of carry-overs and, in the case of commitments, appropriations released for re-use, the total resources finally available to the Fund for 1983 were 1 959.16 mECU for commitments and 1 468.74 mECU for payments, as against 1 577.85 mECU and 1 088.83 mECU respectively for the previous year³.

(c) The Commission's administration of the ESF left much to be desired and bad management, if that indeed proves to be the case, is not necessarily going to change merely because the rules have changed; in any case, in a context of growing need and increased expectations, failure to make full and effective use of the ESF's resources can only be regarded as nothing less than scandalous by the citizens of the European Community.

Utilisation of resources in 1983: the ESF's worst performance ever?

3. The utilisation rates for payment appropriations in 1983 were utterly appalling, with an overall rate for the ESF as a whole of 60.66 % as against 83.17 % in 1982⁴. As regards individual lines, the "booby prize" for the under-utilisation of resources in 1983 clearly goes to the lines for young people, where the aggregate utilisation rate is a deplorable 54.4 % as compared

¹ OJ C 125, 17.5.1982

² See tables in Annexes I.1 and I.2, final columns

³ See Annexes II.1 and II.2

⁴ See Annexes II.2 and III.2

with 95.8 % in 1982. This plunge is all the more regrettable because it puts an abrupt end to the steady upward trend in the utilisation of payments which started in 1979¹.

4. By contrast, the utilisation rate for commitments in 1983² for the ESF as a whole (96.33 %), and for most of the individual lines, compares favourably with that for 1982 (95.78 %)³, especially if one allows for the fact that the overall amount available for commitment in 1983 was just over 370 mECU more than in 1982 (an increase of nearly 24 %); moreover, the rates of utilisation for the three lines to which the bulk of this increase was allocated, i.e. young people (+294 mECU shared between the two items) and handicapped persons (+41 mECU), were even higher than in the previous year (97.20 %, 96.11 % and 98.76 % compared with 95.27 %, 94.55 % and 94.50 %).

5. In its 1983 report⁴ and its reply to the Court of Auditors⁵, the Commission argues that the 'blockage' in the flow of payments is largely a consequence of the failure on the part of the Budgetary Authority, i.e. Council and Parliament, to respect, for the first time ever, the provisions of Article 9(2) of the Decision governing the operation of the ESF⁶ in the year under review: the decision, taken by Council, and tacitly accepted by Parliament, to increase by almost 250 mECU the appropriations entered for young people in the 1983 draft budget upset the required 'balance' between chapters 60 and 61; by the time the Commission had worked out the legal, administrative and operational implications of this unprecedented state of affairs and finally decided to overrule their own Financial Controller's refusal to grant approval, it still had enough time to make most of the outstanding commitments but not enough to expedite another batch of payments. Clearly, before proceeding any further,

¹ When it was 71.8 % as against 48.7 % in 1978.

² Which only met 61 % of total demand - see Annex IV - as compared with a 55 % coverage in 1982.

³ See Annexes II.1 and III.1

⁴ COM (84) 396 final, 26.7.1984, pp 21-23

⁵ OJ C 348, 31.12.1984, p. 211-212

⁶ OJ L 28, 4.2.1971 and OJ L 337, 27.12.1977

Let alone trying to ascertain where the "fault" lies, a word of explanation on this point is essential.

Article 9(2) of Council Decision 71/66/EEC¹: the 'balance' between chapters 60 and 61

6. The essential requirement of the provisions set out in the second paragraph of Article 9 of this Decision is that no less than 50 % of the total commitment appropriations available to the ESF for any given year must be allocated to the operations listed in chapter 61² and carried out in the so-called 'priority regions'³. Moreover - and this is something that is often not properly understood - commitments for projects falling within the terms of reference not only of item 6100 (which refers specifically to regions), but also of items 6101, 6102 and 6110 may not be made outside these 'priority regions' unless more than 50 % of the total ESF budget is earmarked for chapter 61; in other words: the more extra money available, the more can be done in 'non-priority' regions.
7. As can be seen from Annex I.1, which summarizes, step by step, the 1983 budgetary process in respect of commitments, the 'balance' between chapters 60 and 61 was duly respected throughout the first reading: at each stage, the overall appropriation for chapter 61 is perceptibly greater than the total for chapter 60 (thus allowing a margin for activities in 'non-priority' areas). At second reading, however, Council's decision to increase very substantially indeed the appropriations for young people in chapter 60 completely inversed the statutory balance, the result being that over 55 % of the total ESF appropriation was now allocated to chapter 60, and only 44 % was left in chapter 61! Parliament's subsequent addition to chapter 60 of another 6 mECU for women did nothing to redress the situation!

¹ See page 3, second footnote

² See Annex I for budgetary headings

³ Greenland, Greece, the French overseas departments, Ireland, the Mezzogiorno and Northern Ireland

8. The Commission has got its calculations wrong. Although quite right in stating that the provisions of Article 9(2) were violated, the Commission is wrong in maintaining that the deduction of 203.49 mECU from chapter 60 would have rectified the situation: this deduction would only have had the effect of bringing the total appropriation for chapter 60 down to the level of that for chapter 61, i.e. the total for each of the two chapters would then have been 744.86 mECU. The Commission admits that it has overlooked the fact that the total appropriation for the ESF, which also covers chapter 62, is 1 696.5 mECU - 50 % of 1 696.5 mECU is 848.25 mECU and not 744.86 mECU!¹ In fact, the minimum amount to be deducted to restore the balance is 206.78 mECU, but it should be borne in mind that the major disadvantage of such a 'solution' would be to reduce the ESF's overall budget accordingly!

Comments on the Court of Auditors' main findings and the Commission's replies

Commission's decision to overrule its Financial Controller's refusal

9. When the Commission decided, on 21 December 1983, to go ahead with the fifth and final series of commitments, it was fully aware that this meant infringing Article 9(2) of the Fund's rules and, by the same token, overruling its Financial Controller's refusal to grant approval.
10. Council's surprise decision, at second reading, to enter a massive increase against the lines for young people in chapter 60 and Parliament's tacit acceptance of this flagrant disregard of the Fund's rules were undoubtedly prompted by two essential considerations: (a) the continuing insistence on the need for a major increase in the Fund's resources² in the face of a dramatically worsening employment situation, particularly regarding young people; (b) anticipation of the entry into force, with effect from 1984, of the new rules governing the Social Fund, which stipulate notably that at least 75 % of the ESF's total resources must be earmarked for young people.

¹ In the course of a telephone conversation with the Social Affairs Committee secretariat on 16.1.1985

² See Parliament's resolutions of 8.7.1982, OJ C 238, 13.9.1982 and of 28.10.1982, OJ C 304, 22.11.1982

11. The Committee on Social Affairs and Employment is forced to agree with the Court of Auditors' view that only a new Council Decision - or, possibly, a transfer from chapter 60 to chapter 61 to restore the legal balance - could have satisfactorily solved the problem¹, but can sympathise with the Commission in the awkward dilemma in which it was placed.

Management Record Unsatisfactory

12. The Committee on Social Affairs and Employment fully endorses the Court of Auditors' main conclusions on the management of ESF grants, namely that "in view of the limited number of on-the-spot visits made by the Commission departments and the brevity of the information contained in the files, a more thorough examination of the applications for assistance and claims for payment would be justified. Moreover, the recovery problems demonstrate the need for better monitoring in general and especially of the system of factual and accounting certification of the advances."
13. The Commission's rebuttal of the very serious criticisms made by the Court of Auditors about the inadequate examination of applications for assistance³ is not entirely convincing, particularly as in its response to the Court's main conclusions², which also cover this aspect, the Commission gives an undertaking to "endeavour to act on the Court's suggestions"⁴; the fact that it goes on to point out that "this inevitably means an increase in resources and, in particular, more staff" in no way invalidates the substance of the Court's indictment.

¹ Court of Auditors' report, OJ C 348, 31.12.1984, p. 73, para. 8.9

² " " " " " " " " " " , p. 76, para. 8.31

³ " " " " " " " " " " , p. 74, para. 8.14 - 8.17

⁴ " " " " " " " " " " , p. 215.

14. The same holds true for the serious weaknesses in the procedures for final payments and recoveries, highlighted by the Court of Auditors. While the Commission largely refutes the Court's criticisms about the inadequacy of its examination of the requests for payments of outstanding amounts¹, it does not challenge the Court's statement that the information contained in the Commission's files provides an insufficient basis for checking whether projects really are assessed "in terms of effectiveness or efficiency"². On the contrary, the Commission agrees to "take the necessary steps to provide further information on each case in future, so that the Court can make a more thorough audit"³.

As regards recoveries, the Court of Auditors stresses the need for a more reliable system of certification of advances and points out that, because of shortcomings in this respect, excess amounts paid out to promoters are in fact tantamount to interest-free loans for periods usually lasting more than a year⁴. The Court also deplores the fact that in a number of cases, steps were not taken to decommit the excess amounts involved in time for re-use.

Conclusions and recommendations

Conclusions

To sum up, the Committee on Social Affairs and Employment, while recognising the Commission's responsibility to make payments as rapidly as possible:

(a) Deplores the fact that the last year of operation of the European Social Fund before the entry into force, in 1984, of its new rules should be so disappointing, particularly because of the priority importance attached to its contribution in 1983 to the fight against growing unemployment, particularly amongst young people;

(b) Notes that not only the percentage, but also the total amount actually paid out in 1983 was lower than in the previous year, despite an overall 35 % increase in the total payment appropriations available,

¹ Notably, in terms of (a) compliance with the stated objectives and planned activities on the basis of which approval for expenditure was given in the first place, and (b) eligibility of expenditure.

² Court of Auditors report, OJ C 348, 31.12.84, p. 75, para. 8.24

³ " " " " " " " " , p. 214

⁴ " " " " " " " " , p. 76, para. 8.29

(c) While recognising that this disappointing performance can no doubt largely be explained by the unprecedented situation arising from the non-observance of Article 9(2) of the provisions governing the operation of the Fund at that time, nevertheless understands the Court of Auditors' view that only a new Council Decision could have satisfactorily solved the resulting problems and that the Commission itself should have initiated the necessary steps to this end; appreciates, however, that the Commission was prevented from doing so by opposition among Member States - and that the alternative of a budgetary transfer to restore the legal balance was effectively ruled out from the start by the position adopted by the Budgetary Authority;

(d) Fully endorses the Court of Auditors' main criticisms regarding the management of ESF grants in 1983, deploring in particular the weaknesses in the examination of applications for assistance and of final payment claims and the inadequacies of the procedure for the certification of advances;

(e) Recalls that the Court of Auditors, in its annual report for 1981, had already insisted on the need for careful and thorough checking as to whether expenditure was being used for the purposes for which it was originally approved;

(f) Notes that despite its rebuttal of most of the specific criticisms made by the Court about its management of the Fund in 1983, the Commission does admit the need to improve its control and evaluation systems;

(g) Notes that the Commission does not dispute the Court of Auditors' view that more on-the-spot checks are needed;

Recommendations

In view of the foregoing, the Committee on Social Affairs and Employment:

(a) Calls on the Commission to adopt the necessary proposals and initiatives to ensure these deficiencies in the functioning of the ESF are eliminated as a matter of urgency;

(b) Requests both the Commission and the Court of Auditors to reassure themselves that the loopholes highlighted in the Court's report allow for no possibility whatsoever of future fraud;

(c) Stresses the need for a careful control of the aims and of the concrete results of the operations assisted, and of the extent to which the projects financed correspond with the purposes for which they were originally approved, especially with a view to ensuring that ESF grants are not used to cover deficits;

(d) Stresses that an inadequate or an insufficient utilisation rate for payments of the ESF encourages dangerous doubts about the usefulness of the ESF instrument, which the European Parliament considers an important element in the fight against unemployment;

(e) Reminds the Commission, the Council and the Member States of their "shared responsibility"¹ for ensuring that the necessarily limited resources of the ESF are "put to the best possible use"² and, consequently, of the obligation to coordinate their efforts in such a way as to eliminate all obstacles to the optimal operation of the Fund; this involves in particular:

- a careful scrutiny of applications for eligibility;
- thorough monitoring of projects by more frequent on-the-spot visits;
- tight control on expenditure, without slowing down payments;
- regular assessment of the ESF in terms of its effect on employment;
- the completion and regular updating of its project files;

(f) Invites the Commission clearly to formulate (and justify) its requirements in terms of extra resources, and notably staff, if it is to effect the improvements called for by the Court of Auditors, and to submit proposals to the Budgetary Authority accordingly.

¹ See Court of Auditors report for 1981, OJ C 344, 31.12.1982

² In this connection, see Parliament's resolution of 15.10.1981 on the budgetary control aspects of the ESF, OJ C 287, 9.11.1981, p. 80

EUROPEAN SOCIAL FUND
Budgetary Procedure 1983

COMMITMENT APPROPRIATIONS

In mECU

Chap./ Art./ Item	Heading	Prelim. Draft B. C.E.C.	First Reading Council	First Reading S.A.C.	First Reading Parl.	Second Reading Council	Second Reading Parl.
		(1)	(2)	(3)	(4)	(5)	(6)
6000	Aid to agricultural sector	8.0	8.25	8.25	8.25	8.25	8.25
6001	Aid to the textile sector	20.0	21.47	21.47	21.47	21.47	21.47
6010	Aid in the fields of voc. tr. and geographical mobility of young people	540.0	416.95	765.00	692.95	541.20	541.2
6011	Aid to promote employment of young people	210.0	168.74	257.88	220.74	292.99	292.99
6012	Special job creation prog. for young people	p.m.	p.m.	p.m.	1.0	p.m.	1.0
602	Measures for handicapped	-	-	-	-	-	-
603	Measures for migrant workers	63.0	52.36	85.00	76.36	52.36	52.36
605	Measures for women	32.0	25.08	45.00	32.0	25.08	31.08
	Total chapter 60	873.0	692.85	1 182.60	1 052.77	941.35	948.35
6100	Aid to improve the employment situation in certain regions	660.0	525.67	960.00	855.67	525.67	525.67
6101	Aid to improve the employment situation in certain groups of undertakings	20.0	18.37	20.00	22.37	18.37	18.37
6102	Aid to improve the employment situation in certain economic sectors adapting to tech. prog.	100.0	58.88	110.40	106.88	58.88	58.88
611	Measures for handicapped	139.575	141.94	219.575	196.94	141.94	141.94
612	Consequences of industrial conversion	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
	Total chapter 61	919.575	744.86	1 309.975	1 181.86	744.86	744.86
620	Pilot schemes & prep. studies	7.425	4.29	7.425	5.29	4.29	3.29
	TOTAL EUROPEAN SOCIAL FUND	1 800.0	1 442.00	2 500.0	2 239.92	1 690.50	1 696.5

EUROPEAN SOCIAL FUND
Budgetary Procedure 1983

PAYMENT APPROPRIATIONS

In mECU

Chapter/ Article/ Item	Heading	Prelim. Draft Bud. C.E.C.	First Reading Council	First Reading S.A.C.	First Reading Parl.	Second Reading Council	Second Reading Parl.
		(1)	(2)	(3)	(4)	(5)	(6)
6000	Aid to agricultural sector	9.0	8.19	8.19	8.19	8.19	8.19
6001	Aid to the textile sector	19.0	13.02	13.02	13.02	13.02	13.02
6010	Aid in the fields of voc. tr. and geographical mobility of young people	399.0	313.39	503.305	405.39	409.69	409.69
6011	Aid to promote employment of young people	136.0	134.09	170.201	151.59	230.39	230.39
6012	Special job creation programme for young people	p.m.	p.m.	p.m.	1.0		1.00
602	Measures for handicapped	-	-	-			
603	Measures for migrant workers	48.0	39.65	56.10	47.65	39.65	39.65
605	Measures for women	29.0	15.75	29.70	29.0	15.75	17.75
	Total chapter 60	640.0	524.09	780.516	655.84	716.69	719.69
6100	Aid to improve the employment situation in certain regions	455.5	405.25	633.60	509.25	405.25	405.25
6101	Aid to improve the employment situation in certain groups of undertakings	14.0	10.82	13.20	12.12	10.82	10.82
6102	Aid to improve the employment situation in certain economic sectors adapting to tech. prog.	58.0	39.54	72.88	55.54	39.54	39.54
611	Measures for handicapped	96.0	106.80	144.919	125.2	106.80	106.8
612	Consequences of industrial conversion	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
	Total chapter 61	623.5	562.41	864.60	702.11	562.41	562.41
620	Pilot schemes & prep. studies	1.0	4.40	4.884	3.40	4.40	3.40
	TOTAL EUROPEAN SOCIAL FUND	1 264.5	1 090.90	1 650.0	1 361.35	1 283.50	1 285.0

¹ These totals do not include the 64.5 mECU entered in chapter 100 for chapters 60 & 61

Commitment Appropriations

In mECU

Budget nomenclature		Total available for 1983	Commitments made in 1983	Utilisation rate (%)	Commitment appropriations available on 31.12.1983
6000	Agriculture	9.73	8.57	88.08	1.16
6001	Textiles	28.97	25.87	89.30	3.10
6010	Young people - training	714.10	694.08	97.20	20.02
6011	Young people - employment	210.29	202.11	96.11	8.18
6030	Migrant workers	54.12	53.33	98.54	0.79
6050	Women	35.66	34.94	97.98	0.72
60		1 052.87	1 018.90	96.77	33.97
6100	Regions	625.69	596.56	95.34	29.13
6010	Groups of firms	23.61	18.82	79.71	4.79
6102	Technical progress	72.05	71.70	99.51	0.35
6110	Handicapped persons	169.69	167.59	98.76	2.10
61		891.04	854.67	95.92	36.37
62	Pilot schemes	5.25	4.08	77.71	1.17
60-62	Total	1 949.16	1 877.65	96.33	71.51

SOURCE: 12th Report on the Activities of the European Social Fund (COM (84) 396 fin), page. 96

UTILISATION OF BUDGETARY RESOURCES FOR 1983

Payment Appropriations

In mECU

Budget nomenclature		Appropriations available for 1983	Amounts paid in 1983	%	Appropriations cancelled	Payment appropriations available on 31.12.1983
6000	Agriculture	9.30	6.10	65.59	0.00	3.20
6001	Textiles	13.02	12.37	95.01	0.00	0.65
6010	Young people - training	433.67	272.42	62.82	0.00	161.25
6011	Young people - employment	231.01	89.52	38.75	0.00	141.49
6012	Young people - job creation	1.00	0.09	9.00	0.00	0.91
6030	Migrant workers	40.53	38.84	95.83	0.00	1.69
6050	Women	18.96	18.33	96.68	0.00	0.63
60		747.49	437.67	58.55	0.00	309.82
6100	Regions	545.31	347.96	63.81	0.00	197.35
6101	Groups of firms	11.78	6.92	58.74	0.00	4.86
6102	Technical progress	49.87	31.87	63.91	0.00	18.00
6110	Handicapped persons	107.27	63.64	59.33	0.00	43.63
61		714.23	450.39	63.06	0.00	263.84
62	Pilot schemes	7.02	2.85	40.60	1.88	2.29
60-62	Total	1 468.74	890.91	60.66	1.88	575.95

SOURCE: 12th Report on the Activities of the European Social Fund (COM (84) 396 fin), p. 97

UTILISATION OF BUDGETARY RESOURCES FOR 1982

		<u>Commitment appropriations</u>			In mECU
Budget nomenclature		Total available for 1982	Commitments made in 1982	Utilisation rate (%)	Commitment appropriations available on 31.12.1982
6000	Agriculture	9.84	9.65	98.07	0.19
6001	Textiles	27.76	26.47	95.35	1.29
6010	Young people - training	475.51	453.02	95.27	22.49
6011	Young people - employment	154.91	196.96	94.55	8.45
6030	Migrant workers	51.43	50.74	98.06	0.69
6050	Women	27.09	26.20	96.71	0.89
60		746.54	712.54	95.45	34.00
6100	Regions	619.99	598.03	96.46	21.96
6101	Groups of firms	18.00	16.75	93.06	1.25
6102	Technical progress	59.94	98.55	97.68	1.39
6110	Handicapped persons	128.77	121.69	94.50	7.08
61		826.70	795.02	96.17	31.68
62	Pilot schemes	4.61	2.71	58.71	1.90
60-62	Total	1 577.85	1 510.28	95.72	67.57

SOURCE: 12th Report on the Activities of the European Social Fund (COM (84) 396 fin), p. 76

UTILISATION OF BUDGETARY RESOURCES FOR 1982

Payment Appropriations

In mECU

Budget nomenclature		Approps. available for 1982	Amounts paid in 1982	%	Appropriations cancelled	Payment appropriations available on 31.12.1982
6000	Agriculture	7.93	6.83	86.06	-	1.10
6001	Textiles	11.86	11.85	99.96	-	0.01
6010	Young people - training	302.16	278.19	92.07	-	23.97
6011	Young people - employment	90.53	97.90	99.37	-	0.63
6020	Handicapped persons	0.07	0.07	100.00	-	-
6030	Migrant workers	36.23	35.35	97.57	-	0.88
6050	Women	20.99	19.78	94.22	-	1.21
60		477.77	449.97	94.18	-	27.80
6100	Regions	467.61	327.55	70.05	-	140.06
6101	Groups of firms	9.85	8.89	90.29	-	0.96
6102	Technical progress	35.99	25.65	71.29	-	10.34
6110	Handicapped persons	91.61	91.14	99.48	-	0.47
6120	Industrial conversion	-	-	-	-	-
61		605.06	453.23	74.91	-	151.83
6200		6.00	2.38	39.68	-	3.62
60-62	Total	1 088.83	905.58	83.17	-	183.25

SOURCE: 12th Report on the Activities
of the European Social Fund
(COM (84) 396 fin), p. 77

RELATIONSHIP BETWEEN COMMITMENT APPROPRIATIONS AND
APPLICATIONS FOR ASSISTANCE

1983

In mECU

Budget nomenclature		Appropriations available	Amount requested	Shortfall (%)
6000	Agriculture	9.73	11.61	19.32
6001	Textiles	28.97	30.61	5.66
6010	Young people - training	714.10	1 137.98	59.36
6011	Young people - employment	210.29	285.96	35.98
6030	Migrant workers	54.12	201.46	272.25
6050	Women	35.66	93.50	162.20
60		1 052.87	1 761.12	67.27
6100	Regions	625.69	999.02	59.67
6101	Groups of firms	23.61	28.01	18.64
6102	Technical progress	72.05	118.90	65.02
6110	Handicapped persons	169.69	264.48	55.86
61		891.04	1 410.41	58.29
62	Pilot schemes	5.25	8.01	52.27
60-62	Total	1 949.16	3 179.54	63.12

SOURCE: 12th Report on the Activities
of the European Social Fund
(COM (84) 396 fin.), p. 102

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Regional Policy and Regional Planning

Draftsman: Mr Daniel DUCARME

At its meeting of 23 November 1984, the Committee on Regional Policy and Regional Planning appointed Mr Daniel DUCARME draftsman of an opinion.

At its meeting of 22 March 1985, the committee considered the draft opinion and unanimously adopted its conclusions.

The following took part in the vote: Mr NEWMAN, acting chairman; Mrs MARTIN (deputizing for Mr DUCARME, draftsman), Mr BEAZLEY, Mrs BOOT, Mr CLINTON (deputizing for Mr GIUMMARRA), Mr COLUMBU, Mrs LEMASS, Mr O'DONNELL and Mr POETSCHKI.

C O N T E N T S

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I. - INTRODUCTION

1. Having been consulted by the Committee on Budgetary Control, the Committee on Regional Policy and Regional Planning decided to draw up a detailed opinion for the discharge in respect of the 1983 financial year.
2. It was felt that special attention ought to be given to regional policy trends following the entry into force on 1 January 1985 of the new European Regional Development Fund Regulation¹.
3. To this end, the committee decided to take note of the points which recur from year to year in the report of the Court of Auditors, in order to assess how far its remarks have been taken into consideration, identify the underlying causes as accurately as possible and determine where the responsibility lies.
4. Lastly, the Committee on Regional Policy and Regional Planning is particularly concerned about the extent to which the Community's financial instruments, including the ERDF, are a reliable means of reducing disparities between regions and creating new jobs. This was the committee's basic concern in its consideration of the 8th Annual Report (1982) and the 9th Annual Report (1983) of the Commission of the European Communities on the European Regional Development Fund².

¹Council Regulation (EEC) No. 1787/84 of 19 June 1984 on the ERDF: OJ No. L 169, 28.06.1984

²Report by Mr Newman (PE 94.654)

II. - MAIN OBSERVATIONS OF THE COURT OF AUDITORS

5. The observations of the Court of Auditors can be divided into four main categories.
6. Firstly, an assessment is made of the ERDF's efficiency as an instrument for reducing disparities in the level of development of the regions of the Community. The Court points out that no criteria have been laid down by the Commission for implementing the provisions of the 1975 Regulation, which states that:
 - (a) the Commission shall examine requests for assistance 'taking special account of the investment's contribution to the economic development of the region, the consistency of the investment with the Community's programmes or objectives, the situation of the economic sector concerned, the profitability of the investment, whether the latter falls within a frontier area, and other contributions made by Community institutions' (Article 5(1) of Regulation No. 724/75);
 - (b) 'Member States shall submit requests for assistance from the Fund to the Commission, and shall indicate any factors which will allow the Commission to assess the value of the investments proposed in the light of the above-mentioned criteria' (Article 7(1) of Regulation No. 724/75).
7. The Court therefore considers that the lack of information or documentation on the evaluation of projects in terms of their Community interest or their impact on the region's development raises doubts as to the efficiency of ERDF assistance.
8. Secondly, the Court questions the value of the ERDF's contribution to specific projects or to general regional development programmes. Several examples are given:
 - (a) no improvement in the Member States' documents on regional development programmes and impossibility of determining priority areas for Fund aid and for selecting projects;
 - (b) no evaluation of the Fund's contribution to the development of the Loire channel at the port of Nantes-Saint Nazaire;
 - (c) the fragmentation of financial aid to Scottish port installations where the effect of ERDF aid is offset by the annual growth of mutual competition;
 - (d) the division or grouping of infrastructure investments making it impossible to analyse the selectivity of the projects chosen (France, United Kingdom and Greece);
 - (e) totally or partially unoccupied advance factories financed by the Fund (Ireland);

(f) the inaccuracy of information on supplementary measures in favour of the United Kingdom with regard to the projects and their financing ('water and sewerage' sub-programmes for the South-West and North, Wales and North-West regions; 'roads' sub-programmes for other regions).

The Court expresses very strong reservations about these investments.

9. Thirdly, the Court is highly critical of the delays in implementing certain projects with respect to the time-limits laid down in the ERDF Regulation or at the time of the decision to grant aid. The Court emphasizes that 'at 31 December 1983, 3,718 million ECU of aid still had to be paid. Allowing for decommitments and adjustments in the exchange rate, this represents 42.6% of the total commitments entered into since the Fund's establishment in 1975'. In addition, the Court points out that this type of problem, which other Community financial instruments are also experiencing, is a real threat to the Community's overall financial balance.
10. Fourthly, the Court considers the excessive concentration of commitment operations at the close of the year to be dangerous, and states that 'the aid decisions relating to the quota section were adopted in four instalments. The last of these (adopted on 20 December 1983) represented on its own over 70% of the commitments of the financial year, i.e. aid worth 1,536 million ECU spread over 732 projects'.

III. - COMMISSION'S REPLIES

11. The Commission replies to each of the Court's observations in turn (see Commission's report).

Throughout, the Commission emphasizes that it has complied with the Regulation and given special attention to its provisions.

The Commission is determined to increase the ERDF's efficiency particularly by introducing qualitative improvements to the new ERDF regulation. It rightly recalls its report on ways of increasing the efficiency of the structural funds⁵.

12. The Commission's reply to the criticisms concerning application of the criteria set out in Article 5 of the ERDF Regulation is worth reproducing in its entirety:

'In its concern to increase the effectiveness of the ERDF, the Commission has proposed a number of improvements in the quality of ERDF management, along the lines laid down in its report on ways of increasing the effectiveness of the structural Funds and these have been incorporated in the new ERDF Regulation. The improvements relate in particular to a gradual transition from the present method of assisting individual projects receiving national aid to co-financed programmes. These programmes should provide a better link between the objectives of structural development or conversion of regions and the objectives of other Community policies. Similarly the new Regulation provides that, for investment projects of an amount equal to or over 15 million ECU, the Member States have, when submitting their requests for assistance, to provide the results of profitability assessment for industrial projects and of cost and socio-economic benefit analyses for infrastructure investments. This will give the Commission a better idea of the economic viability of investment projects (paragraphs 7.26 to 7.29) and enable it to obviate the difficulties of granting assistance in "tranches" (paragraphs 7.30 to 7.35). With specific reference to the Court of

Auditors' findings during its independent audit in Greece (paragraph 7.34) these are being examined jointly with the Court and, where appropriate, the Commission will follow the matter up with the Member State concerned if it is established that some projects are for amounts below the 50,000 ECU minimum.' (p. 209)

⁵ COM(83) 501 final - 28.07.1983

13. As regards commitments outstanding at the close of the year, the Commission points out that:

'the fact that payments and commitments do not progress at the same pace is quite natural since the rules governing the ERDF state that when decisions to grant aid are taken the full amount of aid is immediately charged to the commitment appropriations whereas the payment of the amounts thus committed is staggered over a number of financial years according to the pace at which work on the investment advances.' (p. 208)

14. The Commission also answers the question concerning the time-lag between the aid decision and implementation:

'... during on-the-spot inspections (...) the reasons for delays are subjected to particular scrutiny. The period for implementation given in the request for assistance is exceeded in some cases, but the period indicated is no more than a rough guide and does not constitute, under the terms of the ERDF Regulation, either a statutory condition of that Regulation or one of the criteria for establishing that the aid decision and implementation are consistent.' (p. 208)

IV. - DRAFTSMAN'S NOTES

15. In considering the report for 1983 and those for previous years, the draftsman noted that certain themes recurred from year to year. The following table illustrates this point:

THEMES	1980	1981	1982	1983
- Excessive concentration of commitment and payment operations at the close of the financial year	X			X
- Criticism of the method for calculating the job-creating capacity of ERDF aid ...	X			X
- Assessment of the contribution made by the investments to the region's development	X			X
- Over-running of quotas laid down by the Regulation	X	X	X	X
- Compatibility of investment aid with regional development programmes and other Community objectives		X	X	X
- Implementation of non-quota measures	X	X	X	X
- Under-utilization or non-profitability of investments	X	X	X	X
- Failure to apply provisions to reduce or cancel aid granted by the Fund	X		X	X

16. The fact that certain themes recur is quite understandable as many problems affecting the regional sector have not yet been resolved. However, in certain cases, such as the implementation of non-quota measures, it is difficult to see why the Commission has not taken urgent action to remedy the situation.
17. On the other hand, it must be said in the Commission's defence that, in other cases, the Court's comments do not take sufficient account of the difficulties faced by the Commission in carrying out its tasks and of the importance of the active cooperation of Member States, which is sometimes lacking.

18. The Court also highlights the inefficiency of the ERDF as an instrument for reducing disparities between the regions of Europe.

As Parliament has pointed out in the past, this inefficiency is more a result of the lack of funds allocated to the ERDF, the complementary nature of Community measures and the failure of certain Member States to comply with European provisions.

19. As regards the approach taken by the Court of Auditors, the draftsman wishes to point out that the report submitted to Parliament places undue emphasis on general observations, at least with regard to the regional sector. The report would be more interesting and useful if a larger selection of practical examples were given to illustrate the different points. During discussions, the draftsman noted that the Court was willing to follow up his remarks.
20. In this context, the draftsman considers that the work of the Court of Auditors could make an extremely useful contribution to the Regional Committee's activities and supplement the information from the Commission on the Fund's operating methods. Relations between the Regional Committee and the Court should be strengthened to provide the committee with the supplementary information on a regular basis and not only when the Court submits its report. This could be achieved if a representative of the Court of Auditors attended the committee's meetings. The draftsman considers that, far from being a sign of distrust, this measure would strengthen the Commission's position by highlighting the problems it faces with certain Member States.

V. - CONCLUSIONS

21. The Committee on Regional Policy and Regional Planning:
1. Takes note of the criticisms made by the Court of Auditors as to the efficiency of Community measures for reducing regional imbalances in 1983, but considers the analysis to be too superficial to warrant a complete overhaul of the ERDF, especially since the Fund's action is limited by its lack of resources;
 2. Considers that the Court's comments are based on the nature of the old ERDF Regulation and that improvements are already being made by the Commission, particularly through the new Regulation;
 3. Urges the Commission, nevertheless, to improve its management procedures and methods in the light of the Court's criticisms;
 4. Considers, however, that, in some cases which have been criticized by the Court, the Commission was largely justified in its flexible interpretation of the provisions of the ERDF regulation allowing, for example, maximum utilization of available funds;
 5. Emphasizes the importance of the Member States' obligation to supply the Commission in due time with all the statistics required by the Regulation to enable it to assess the instrument's efficiency, and regrets that in 1983 certain Member States did not comply with the relevant provisions;
 6. Is concerned that the Court should consider the second-generation regional programmes as ineffective instruments for determining the priority areas for Fund aid and for selecting projects, and notes that certain Member States did not provide the Commission with these programmes; considers that, unless these criticisms are countered, they may undermine the very basis of the Community's regional policy;
 7. Is concerned at the large number of Community commitments still outstanding and notes that some of these commitments date back to 1975; approves the Court's remarks calling for the Commission to apply the provisions on the reimbursement of aid granted in certain cases; considers that the Commission should apply mandatory time-limits, if necessary by proposing to the Council an amendment to the Regulation;
 8. Notes the Court's observations on the disadvantages of financing investments in 'tranches', but considers that the drawbacks are offset by the fact that the Commission can more effectively control the implementation of projects;
 9. Notes the Court's conclusion that certain activities in the regional sector are not sufficiently consistent with the objectives of other Community policies; stresses again the urgent need for further coordination of the Community's means of intervention;

10. Reiterates its concern and deep disappointment at the poor implementation of non-quota measures: recognizes that responsibility for this in 1983 lies with the Council because it failed to adopt the basic legislation in time, and with the Member States which did not submit their programmes in due time; emphasizes nevertheless that the Commission, as the executive institution of the European Communities, is responsible for taking measures to ensure that funds granted by the budgetary authority are implemented; calls on the Court of Auditors to give this question close consideration and to specify the responsibilities of each individual Community institution;
11. Welcomes the criticisms of the Court of Auditors which reinforce Parliament's efforts to improve the ERDF's efficiency and considers that a permanent dialogue between the Court of Auditors and the Committee on Regional Policy would serve to keep the committee informed of such problems as those referred to in the annual report;
12. Calls on Parliament to exercise its powers by granting the Commission a discharge, given the latter's sustained effort to set up an efficient regional policy aimed at reducing regional disparities in the Community.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on the Environment, Public
Health and Consumer Protection

Draftsman: Mrs LENTZ-CORNETTE

At its meeting of 28 January 1985, the Committee on the Environment, Public Health and Consumer Protection appointed Mrs LENTZ-CORNETTE draftsman of an opinion.

The committee considered the draft opinion at its meetings of 28 February and 22 March 1985, on which date it unanimously adopted the conclusions.

The following took part in the vote: Mrs Weber, chairman; Mr Collins, vice-chairman; Mrs Lentz-Cornette, draftsman; Mr Alber, Mrs Banotti, Mr Bombard, Mr Iversen, Mrs C. Jackson, Mr Van der Lek, Mr Mertens, Mr Muntingh, Mr Ryan, Mr Sherlock, Mrs Squarcialupi, Mrs Veil and Mr Vernier.

The Committee on the Environment, Public Health and Consumer Protection:

- having studied the conditions under which the appropriations earmarked for 1983 for environmental protection, consumer protection and health were utilized;
- considers that the political choices made at the time of the budget's adoption were invalidated by the magnitude of the transfers effected, and insists that in future the appropriations be actually used for the purpose for which they were initially intended;
- notes that, owing to the failure of the Council to adopt regulations in good time, utilization of a substantial proportion of the appropriations was subject to delays;
- reserves the right to undertake a more exhaustive study of the conditions governing the completion and use of the studies which are carried out under the auspices of the Commission and which account for most of the resources earmarked for the environment.

OPINION

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(Rule 101 of the Rules of Procedure)

of the Committee on Youth, Culture, Education,
Information and Sport

Draftsman: Mr PAPAPIETRO

At its meeting of 28-29 January 1985, the Committee on Youth, Culture, Education, Information and Sport appointed Mr PAPAPIETRO draftsman of the opinion.

It considered the draft opinion at its meeting of 26/27 February 1985 and adopted it unanimously.

The following took part in the vote: Mrs EWING, chairman; Mr SELVA and Mr PAPAPIETRO, vice-chairmen; Mr BARZANTI (deputizing for Mr FANTI), Mr BAUDOUIN, Mr ELLIOTT, Mr Bruno FRIEDRICH (deputizing for Mrs SEIBEL-EMMERLING), Mr GERONTOPOULOS, Mrs LARIVE-GROENENDAHL, Mr PELIKAN, Mrs PEUS and Mr TRIPODI.

I - PARTS OF THE COURT OF AUDITORS ANNUAL REPORT(1) THAT COME WITHIN THE
COMMITTEE'S COMPETENCE

In its report on the financial year 1983 the Court of Auditors comments on:

- (1) the Commission's management of the appropriations entered against Articles 630 (measures in the field of education) and 631 (preparation of young people for working life) (Chapter 8 - Social sector, paragraphs 8.33 - 8.49)
- (2) information visits (Chapter 12 - Operational expenditure, paragraphs 12.19 - 12.21)
- (3) European Centre for the Development of Vocational Training (CEDEFOP) (Chapter 13 - External bodies, paragraphs 13.8 - 13.10)
- (4) European Schools (chapter 13 - external bodies, paragraphs 13.8 - 13.10)

In his comments, your draftsman has obviously taken account of the Commission's reply to the Court's observations (particularly as concerns the management of Articles 630 and 631 and information visits).

The replies are published as an annex to the annual report.

1. Management of appropriations entered against Articles 630 and 631

The Court observes that the Commission has made no clear distinction between a subsidy and a contract for the provision of services which has implications for the administrative provisions and the control criteria to be applied.

Moreover, the description of the services to be provided by the recipient of a subsidy was not always clear and detailed.

As regards more specifically the implementation of Article 630 (measures in the field of education), the Court points out that more than 50% (448,140 ECU) of the sum earmarked for the promotion of European cooperation in higher education in the academic year 1983-84 was spent on annual contracts for the provision of services concluded between the Commission and a Dutch foundation governed by private law.

The sums involved are very high, the total appropriation entered against Article 630 for higher education being 914,680 ECU, broken down as follows:
197,250 ECU for a programme of short study visits
572,000 ECU for joint studies programmes
145,430 ECU for preparatory visits.

In its reply, the Commission first of all explains the operational criteria that enable it to distinguish between the provision of services that constitute a subsidy (and thus are not subject to Articles 50 and 51 of the Financial Regulation) and the provision of services in the strict sense of the term.

Your draftsman believes the Commission's observation to be pertinent and takes note of its intention to examine individual cases in the light of all the data given in its document and in the Court's in an effort to reconcile the viewpoints.

(1) OJ No. C 348, 31.12.1984

As regards the Court's observations on the contracts concluded with the Dutch foundation, your draftsman believes that the Commission's reply, which is extremely precise and detailed, should dispel any doubt as to the exactness of the accounts and the administrative and budgetary correctness of the management of such large sums.

In the Court's view, the Commission could have done this work itself instead of contracting it out to third parties.

Furthermore, no statement of actual costs was drawn up for staff expenditure, even though it was required by the contract.

Because of the absence of any cost accounting, which makes it impossible to have a precise and full overview of the actual expenditure, 'factors exist which encourage the supposition that a not inconsiderable sum has been paid in excess'.

Your draftsman draws the Commission's attention to the undertaking given to adopt appropriate measures to meet the objectives outlined by the Court of Auditors.

Despite the Commission's categorical assertion - which there is no reason to doubt - that 'it has neither made double payments nor paid "excessive remuneration"', your draftsman believes that, in order to dispel any possible doubt, the Commission should re-examine the situation during the past few years with the contractor in the interests of the greatest possible accounting rigour.

2. Information visits

The Court of Auditors maintains that the Commission 'should establish more specific rules for the reimbursement of visitors' expenses' and that 'an overall programme for visits should be prepared jointly by the Commission departments concerned and the Commission's press and information offices in the Member States'.

Your draftsman agrees with this, especially the advisability of improving coordination between the external offices and the Commission's own information service.

In its reply, the Commission says it intends fairly rapidly to lay down internal rules comprising a coherent set of standards to be applied to all the departments involved, with adjustments to structures where appropriate, and action should be taken on this.

3. CEDEFOP

The Court draws attention to some weaknesses in the accounting system, mostly concerning the formalities. In your draftsman's opinion, however, these shortcomings have not affected the substance and do not detract from the fact that the centre functions properly, in accordance with the task assigned to it in its statutes, which is the main concern of our committee.

4. European Schools

The most important observations made by the Court concern the complex salary system for detached teachers (payment and taxation of salaries by national authorities, 'topping up' of salaries by the schools).

The Court points out that although the worst anomalies encountered in the past have been largely rectified, the system ought to be replaced by a more manageable one.

Your draftsman fully agrees with the Court's observations and its recommendation that the Board of Governors should carry out the fullest possible assessment of alternatives.

The Committee on Youth, Culture, Education, Information and Sport intends in any case to go into these problems, which have already been touched on in the PAPAPIETRO report on the European Schools (Doc. 1-390/83), in greater detail through appropriate contacts with the Board of Governors as part of its ordinary responsibilities, including budget aspects.

In conclusion, your draftsman believes that it is more up to the Committee on Budgetary Control to assess the management of the budget on the basis of the Court's observations using as its criterion the form and substance of the account.

Following investigations and in-depth studies conducted with the appropriate Commission officials, he for his part believes that the Commission's management of the accounts - in this case Articles 630 and 631 - have been both administratively and politically correct and in conformity with the requirements of sound management.

He is convinced that efforts by the Commission to make its management more transparent and remedy any shortcomings in form revealed by the Court of Auditors should be continued and intensified with the aid of the political control of our institution which is answerable to the public.

Lastly, he proposes that the points made by the committee at the end of the PEDINI opinion on the Court of Auditors' annual report for the 1980 financial year (see PE 77.276/fin. - paragraphs 38-41) which are given below, be repeated.

' 38. If the European Parliament wishes its activities and role of political and budgetary control to be fully acknowledged and appreciated by the people who elected it, it must be able to justify to the tax-payers of Europe how the appropriations which it helps to enter in the Community budget are used. The conduct and spirit of inter-institutional relations will profit thereby, to the benefit of Parliament whose real decision-making powers centre on the budget.

39. To enable a political assessment to be made of the financial necessity of certain actions, the European Parliament and its parliamentary committees see a vital need for more detailed information through closer cooperation with the institution responsible for management of the budget.

40. The media and public opinion will thus gain a better understanding of the role played by Parliament which, in adopting the budget, acts as a political guarantor for Community citizens by ensuring sound financial management of the budget and correct utilization by the Commission of funds granted to it.

41. Finally, if the European Parliament were able to exercise its budgetary powers with a full understanding of the situation and therefore with full responsibility, there would be a good prima facie argument for extending these powers and Parliament's responsibilities in general. '

O p i n i o n (Rule 101 of the Rules of Procedure)

O P I N I O N

of the Committee on Development and Cooperation

Draftsman: Mr VERGEER

At its meeting of 16 October 1984, the Committee appointed Mr VERGEER draftsman of its opinion.

The committee considered the draft opinion at its meetings of 16 January and 26 February 1985 and adopted its conclusions on 27 February 1985 unanimously.

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The following took part in the vote: Mrs Focke, chairman; Mr Vergeer, draftsman; Mr Baget Bozzo, Mr Beyer de Ryke, Mrs Cassanmagnago-Cerretti, Mrs Cinciari-Rodano, Mr Cohen, Mrs Daly, Mrs De Backer-Van Ocken, Mr Fellermaier, Mr Habsburg (deputizing for Mrs Rabbetghe), Mrs Heinrich, Mr Jackson, Mr Kuijpers, Mr Luster, Mrs Pery, Mr Pirkl, Mrs Schmit, Mr Toksvig (deputizing for Mr Simpson), Mr Trivelli and Mr Wawrzik.

Opinion of the Committee on Development and Cooperation

The Committee on Development and Cooperation,

- A. having regard to the annual report of the Court of Auditors concerning the financial year 1983 accompanied by the replies of the institutions¹,
 - B. having regard to its previous opinions on the granting of the discharge,
1. Notes the importance of Community development policy and underlines the need for this policy to be subject to systematic, periodic and independent appraisal;
 2. Welcomes the growing importance of the annual report of the Court of Auditors and the public debate to which it gives rise; urges, however, that in future it be presented in a form which makes it more transparent what the percentage of projects examined was in each particular case, how many of them are open to criticism and also how many are working well, avoiding a presentation which might lead to the impression that a few exceptional extreme cases are typical of the general management of aid;
 3. Is deeply concerned by the many severe criticisms expressed by the Court of Auditors, many of which are repeated for each annual audit;
- (a) Title 9 of the budget
4. Deplores the fact that the overall rate of take-up of payment appropriations entered in Title 9 of the budget has been inadequate and, once again, on a downward trend by relation to previous years with a rate of 62.6% in 1983 as against 65.3% in 1982 and 71.6% in 1981; notes however that the total amount of payments for development in 1983 increased compared to 1982 because certain payments made in 1983 were from the 1982 budget;
 5. Deplores the fall in the rate of take-up of payment appropriations for food aid from 87.9% in 1982 to 63.2% in 1983, but notes that this is largely due to the institutional problems outside the control of the Commission which delayed the implementation of the 1983 food aid programme until July 1983;
 6. Calls on the Commission to take all necessary measures to ensure that the low implementation of food aid in 1983 is never again repeated;
 7. Criticizes once again the considerable delay between decisions to grant food aid and the time food aid actually reaches its recipients, and repeats its request to the Commission that it take appropriate measures to reduce the time involved; criticizes also, however, the method by which

¹OJ No. C 348, 31.12.1984

the Court of Auditors calculates the time taken; suggests that the Commission produces an annual schedule for the optimum delivery dates of food aid to each recipient country, against which their performance in terms of the timely delivery of food aid can be measured;

8. Draws attention to the importance of ensuring that the products delivered as food aid are of satisfactory quality, and requests that effective use be made of the appropriations set aside for quality control in order to remedy the serious shortcomings noted in 1982 and 1983;
9. Firmly condemns once again the Commission's reference to Regulation No. 3331/82 in its answer to the Court of Auditors in view of the fact that this regulation, which gave rise to a conciliation procedure that ended unsatisfactorily, prejudices the powers of the Commission and the European Parliament and cannot therefore be accepted by the latter;
10. Endorses in full, in the light of the above observations, the request made by the Court of Auditors to the Commission that it carry out a review of the entire management system set up to administer food aid;
11. Regrets the late implementation at the end of 1983 of the special programme to combat hunger in the world provided for in Article 958 of the budget;
12. Welcomes the fact that payments made under Chapter 93 - aid to non-associated developing countries - have practically doubled by relation to 1982 with 138.1 m ECU as against 74.6 m ECU; notes, however, that this increase has meant that only 57.6% of the available payment appropriations were utilized;
13. Regrets once again the inadequate rate of take-up of appropriations entered under the Protocol with the Maghreb countries and the excessive rate of cancellation of appropriations;
14. Calls for the strengthening of Commission checks on and supervision of experts and outside consultancy bureaux, with particular reference to Chapters 93 and 96 of the budget;

(b) European Development Fund

15. Reaffirms its dissatisfaction at the fact that the European Development Fund is not incorporated in the budget of the European Communities;
16. Urges the Commission to take the necessary measures to ensure that all Member States pay their contributions to the EDF on time;
17. Repeats its request that the proposals contained in the European Parliament's report on the assessment of Community development policies and the role of the European Parliament¹ be implemented without delay and underlines, in particular, the need for more thorough and rigorous ex-post evaluation of EDF development projects in order that new project proposals can be influenced by previous experience;

¹Report by Mr MICHEL, Doc. 1-942/80, OJ No. C 260, 12.10.1981

18. Supports strongly the request made by the Court of Auditors to the Commission that it set up a data bank bringing together all the particular features and findings associated with the implementation of projects financed by the EDF; believes that a data bank of this nature would make it possible both to profit more from past experience and to increase coordination and cohesion between various Community activities;
19. Underlines the essential part to be played by the Commission delegations in the satisfactory implementation of ACP-EEC cooperation and requests that they pay greater attention to the monitoring of current projects;
20. Underlines the need to ensure compliance with Article 1 of Protocol No. 6 annexed to the Lomé Convention II which stipulates that the tax and customs arrangements granted to the most-favoured nation or international organization be applied to the contracts financed by the Community;
21. Expresses concern that the Court of Auditors have given numerous examples of projects whose viability is dependent on radical reform of their design or management, and calls on the Commission to rectify these failings and ensure that they are not repeated in new projects;
22. Regrets once again that more detailed information about the use of EDF resources managed by the European Investment Bank is not available in connection with the discharge procedure;
23. Calls for a thorough investigation to be made of the staffing needs of the Commission by an independent consultant, under the supervision of the Court of Auditors, to determine the changes that need to be made to improve the administration and management of development projects;
24. Suggests to the Committee on Budgetary Control that, subject to the above observations and criticisms and in view of the fact that some improvements seem to have been made since then in respect of 1984, the discharge be granted in respect of the parts of the 1983 general budget of the European Communities falling within its terms of reference and in respect of the utilization of EDF appropriations for 1983.

B. EXPLANATORY STATEMENT

A. IMPORTANCE OF THE ANNUAL REPORTS OF THE COURT OF AUDITORS IN THE APPRAISAL OF COMMUNITY DEVELOPMENT POLICIES

1. Consideration of the annual reports of the Court of Auditors together with the drawing up of the opinions on the discharge which Parliament is called on to grant to the Commission each year in respect of its administrative accounts is acquiring growing importance, in the view of the Committee on Development and Cooperation, as part of the essential and systematic appraisal of European development policy.¹

If we really wish to make Community action in the Third World more efficient and more credible, we should not hesitate to carry out a critical appraisal of our achievements on the basis of the excellent reports drawn up by the Court of Auditors.

Previous draftsmen of opinions for our committee² have, in the light of the remarks made by the Court of Auditors in its annual report, been able to draw a series of practical conclusions, most of which are still valid today.

2. It is worth noting that publication of the report of the Court of Auditors in the Official Journal is commented on very widely in the European press with particular interest being shown in the critical remarks addressed by the Court to the Commission about its management of development aid.

It is true that the press sometimes tends to single out examples of serious shortcomings giving the public the impression that Community action is pointless, when the examples cited are exceptions or borderline cases.

One example here is the notorious Sibiti-Niara Valley Road project in the Congo, an EDF project, which was mentioned in the annual report on the 1982 financial year: it will have taken 22 years to build a 20 km stretch of the 75 km originally planned, three quarters of which is seriously damaged and which cost nearly ten times more than the initial estimates.

¹ MICHEL report on the assessment of Community development policies and the role of the European Parliament (Doc. 1-942/80) and the resolution adopted on the basis of this report in September 1981 (OJ NO. C 260, 12.10.1981, p. 72).

² see in particular the opinions of Mr IRMER on the discharge in respect of the 1981 financial year (Doc. PE 83.328 of 3.3.1983) and of Mrs CASSANMAGNAGO CERRETTI on the discharge in respect of the 1982 financial year (Doc. PE 88.592/fin. of 16.2.1984).

Another example is that of sophisticated equipment unsuited to local conditions such as the thermodynamic solar pump located in Mauritania which is mentioned in the 1981 annual report: this pump which is still highly experimental and requires costly maintenance (of the order of 40,000 ECU each year) worked for only a few hours when it was taken into use in 1980: at a cost of 413,290 ECU, it would have irrigated only 20 hectares while, for the same amount, about 50 ordinary motor-driven pumps could have been purchased which would have irrigated 500 hectares!¹

More recently, the 1983 annual report mentions the sad case of a consignment of food aid to DJIBOUTI²: this is the story lasting 22 months of a cargo of wheat flour which was loaded in March 1982 in Antwerp and arrived, after transshipment to another vessel, at its destination on 30 October 1982. This cargo was refused by the Djibouti Ministry of Health 'as unfit for human consumption' despite having been passed as complying with standards by two Belgian laboratories. It was finally unloaded in March 1983 in the port of Mombasa where, after 7 months in storage, it was dispatched and sold to Zaire by the carrier who wished to make good the cost of having his assets tied up, and other expenses.

The fact that these cases are known and can be the subject of critical investigation should be welcomed as it proves that the will exists to make improvements whenever necessary to management methods.

3. Even if some journalists or certain circles use these unfortunate cases as a pretext for attacking the European ideal or discrediting one of the Community's main policy areas, the publicity given to the annual reports and, more particularly, to the chapters devoted to development cooperation is a very positive factor, because it compels us to remain vigilant when implementing policies and budgets that have been decided on very often in abstract terms and when monitoring initiatives undertaken.

It would perhaps be an advantage if the manner of presentation to the press were to be better coordinated between the Court, the Commission and the European Parliament so enabling journalists better to place the observations in their overall context: each observation made by the Court might, for example, be followed directly by the Commission's reply instead of the latter being relegated to an annex.

4. The Commission should not feel that the Court's observations are motivated by hostility: on the contrary, the latter institution, like the European Parliament, wants to see the executive carrying out its duties to the full and does not want to see it being divested of its powers as is the case with the major activities engaged in by the European Investment Bank under the cooperation agreements with the Mediterranean countries and under the Lomé Conventions.

¹ In its last annual report, the Court returns to the question of this pump which remains unused since 1980 and the condition of which is deteriorating (point 15.39).

² DJIBOUTI was to refuse other consignments of cereals as food aid even though they were known to be in accordance with requirements.

The Commission should not fear what some consider to be 'interference' by the Court of Auditors, which has been accused of going beyond its function of financial control and seeking to impose a certain type of development policy.

We feel for our part that it is extremely difficult to make a distinction between an approach based on financial control and an approach based on assessment without running the risk of ending up with undiscerning bureaucratic checks.

5. In conclusion, the Court of Auditors and the Commission should be encouraged to work together in order to produce a full and independent assessment of our development policies and programmes and to improve the management of our aid and projects in the Third World.

A frank and open climate of dialogue should be encouraged, and the appropriate committees of the European Parliament should take the initiative in organizing each year hearings confronting the Court of Auditors with the Commissioner responsible for development policy: assessing and recognizing past mistakes does not mean recording failures but, on the contrary, setting out on the path of progress as part of a dynamic process.

B. DISPERSAL OF RESPONSIBILITIES AND COORDINATION

On account of the unified approach necessary for development policy, it is to be regretted that, in future, responsibilities in this area will be dispersed between two Members of the Court in the same way as they will be dispersed in the new Commission between two Commissioners. It is to be hoped, therefore, that the cohesion of the services concerned will be maintained or reinforced and that coordination, which is so difficult to achieve between the various parties involved in development policy and the various assessment bodies, will be expanded.

C. EXAMPLES OF SHORTCOMINGS IN COMMUNITY MANAGEMENT AND PRACTICAL CONCLUSIONS

Since 1978, the Court of Auditors has published seven annual reports and a series of special reports¹, some at the request of the European Parliament (e.g. the report on food aid).

This body of information and assessment material makes it possible to identify a certain number of examples of shortcomings in Community management and to outline practical conclusions for the future: the work done by the Court, not to mention the cost of its missions to Africa, cannot be shelved without further action.

Some of the examples and practical conclusions to be drawn from them are accordingly reproduced here:

¹ Among the most recent examples are the special report on the coordination of Community aid to third countries (adopted by the Court on 14 March 1984) and the special report on the management of Community development aid funds by the EIB (adopted by the Court on 10 May 1984).

(1) with regard to chapter 10 of the annual reports devoted to Title 9 of the Community budget (cooperation with developing and non-member countries):

- at the meeting of the Committee on Budgetary Control of 29 November 1984, which was devoted to the presentation of the seventh annual report, Mr André MIDDELHOEK, Member of the Court, expressed the view that, overall, the situation in 1983 had not improved by relation to 1982 and that it had even worsened.
- as regards Chapter 92 (food aid), there follow a number of points which may serve to illustrate this rather negative overall situation in the interests of identifying ways and means of rectifying this state of affairs:
 - (a) payments made under the heading of food aid are diminishing SIGNIFICANTLY each year: 388.5 m ECU in 1983, 540.2 m ECU in 1982, 601.6 m ECU in 1981. It is true that the Court notes that, in 1983, the delay noted in the implementation of the programme for that year was in part due to the delay in approval by the Council and the European Parliament, but also and above all to the implementing arrangements for this programme: the delays by the Council and the European Parliament do not prevent the Commission departments from preparing their paperwork and initiating certain measures.
 - (b) at 31 December 1983, only 42% of the quantities of cereals provided for in the 1983 programme (as against 67% in 82), 36% of the milk powder (as against 61% in 82) and 26% of the butteroil (as against 49% in 82) had been provided despite application of the Council's framework regulation (of 3 December 1982 - see OJ No. L 352, 14.12.1982). This very serious reduction in 1983 by relation to 1982 cannot be explained only by the delay in the Council approving the decision and the European Parliament delivering its opinion.
 - (c) the Court reiterates in respect of 1983 its request that a review be carried out of the Commission's entire management system. The new Commission will have to heed this request and, above all, ensure that the departments responsible are able to work as efficiently as possible. The important thing is not to give reassuring bureaucratic answers but to mobilize each person's imagination and energy in order to allocate the various tasks more effectively and ensure that the necessary coordination takes place. These remarks apply also to the paragraph below devoted to the length of time taken to deliver food aid, which in our opinion is unjustified. We do, however, recognize that, in the recent campaigns to combat the serious famines in the Sahel and in the Horn of Africa, the Commission has played a positive role and has managed to increase the volume and rate of delivery of food consignments and to improve coordination of these activities, in particular with the Member States and the

non-governmental organizations, despite the difficulties encountered in certain countries that have sometimes been exaggerated by the international press¹. These activities come under the heading of emergency measures or special measures and not under that of normal food aid.

- (d) the delivery time for ordinary food aid is unjustifiably long: reference should be made here to the technical note of 6 November 1984 by the Committee on Development and Cooperation (PE 93.556) on the implementation of food aid. The delivery time covering the period from the decision to grant aid until the arrival of the latter in the port where it is unloaded is on average 400 to 500 days² with too much time being taken by DG VIII, which is responsible for ordering the mobilization of food aid (approx. 200 days). The Commission will have to ensure that these unacceptable delivery times are reduced.
- (e) in the light of this adverse trend, your draftsman wonders whether the fact that the Council has for the first time accepted differentiated appropriations in its examination of Chapter 92 of the 1985 budget does not risk condoning excessively long delivery periods, even though this would enable the Commission to envisage the happy prospect of multiannual food aid programmes with a subsequent improvement in the integration of food aid in development strategies.
- (f) in its annual reports the Court has repeatedly made observations and specific recommendations that are still valid about the quality of products, control, transport and on-the-spot utilization:

¹ For example, several newspapers have claimed that in a country like Ethiopia an import tax of 12.5 dollars was levied on each tonne of food products: the Commission and its information services should reply systematically to these newspapers and make them confirm that Community food aid is never subject to customs duties. Nor should it hesitate to provide all the necessary details concerning the payments of 165 dollars for each tonne of food transported to the interior of the country and concerning the genuine difficulties encountered by aid organizations in using their own vehicles.

² The total average delivery times in 1983 were 419 days for cereals, 526 days for milk powder and 578 days for butteroil!

1. The Court of Auditors has remarked on the quality of the bags for milk powder: these are 25 kg bags made of strengthened paper which may perhaps be suitable for storage in the Community but are not suitable for shipment overseas and storage in Africa in unusual climatic conditions. Other countries (the USA, Australia, etc.) supply their aid in the form of milk powder in metal cans containing 1 to 5 kg, together with instructions for use in several languages and appropriate diagrams.

The Community fails to indicate on the bags that its VITAMIN-ENRICHED milk powder has a limited life, although the vitamins are effective for only six months and consumption of this milk when not enriched with vitamins may have adverse effects such as gastric trouble.

2. The tins for butteroil (a very expensive product) are not strong enough: for example, after unloading in a recipient country it was noted that some of these tins of butteroil were in a poor condition; the cardboard packing around these tins must be strengthened.
3. Butteroil is suitable for certain countries where it can make up for the absence of oils and fats, while it is unsuitable for others: to avoid errors, the Commission should make an assessment of the situation on a country-by-country basis.
4. Stringent quality control of products is called for by the serious shortcomings noted in the past and even today: consignments that are spoiled or unfit for human consumption (weevilled rice, mouldy cereals originating from the bottom of silos, etc.). By contrast, the appropriations earmarked for quality control (1.5 m ECU in 1983) have scarcely been used (only 100,000 ECU representing 6.6%).
Is the need for inspectors to be independent and ubiquitous justification enough for using a Swiss organization, which is doubtless paid in Swiss francs?
5. The bulk of food aid as well as of other forms of aid such as fertilizers for a non-associated developing country¹ is transported in vessels originating neither in the Community nor in the recipient country, including vessels from the eastern bloc countries and vessels flying flags of convenience; the Commission puts forward the doubtful justification that it does not wish to breach the rules of international trade². This remark clearly applies to food aid delivered CIF and loses its relevance when it is pointed out that the transport costs charged to the Community budget amount to around 10% of total spending on food aid. The use of vessels not flying the flag of a Community Member State can be a source of confusion and reduces our capacity to check on the conditions of maritime transport.

¹ See point 10.26 of the last annual report on major consignments of fertilizers for India and the questionable conditions of maritime transport

² See answer by Commissioner PISANI to the question by Mr SEEFELD on the transport of food aid (OJ NO. C 156, 21.6.82, p. 24): the share of tonnage transported by Community vessels during October 1981 was close on 42% (with Greece accounting for no less than 37.2%) and that of the ACP, Maghreb and Mashreq countries was 10%.

6. The Commission (DG VIII) hardly carries out any checks on the implementation of its food aid and very often the Commission delegations in the recipient country (if it is a country belonging to the ACP, Maghreb or Mashreq) are not notified of the arrival of aid. In many cases, no report is drawn up on the implementation of aid. The recipient countries are sometimes unable to monitor distribution: it is therefore essential that the delegations intervene to ensure that operations run smoothly.
 7. It is essential to adapt the delivery conditions to the actual capacities of the administrative services in the recipient countries.
 8. Where food aid is sold on the local market (incidentally, the labels stating 'gift of the EEC' are a source of confusion), it is essential to follow closely the use to which the proceeds are put: the projects chosen should be slanted towards the development of food production.
- As regards Chapter 93 (cooperation with non-associated developing countries), the Court provides in paragraphs 10.13, 10.24 and 10.25 of the 1983 report an analysis highlighting specific difficulties: the Commission is represented (unlike in the ACP countries) in only 4 of the 25 non-associated developing countries in which the Community finances projects. This explains the fact that the identification, appraisal and monitoring of projects are more often than not carried out by consultancy bureaux or specially recruited experts. The absence of UNIFORM supervision of these many experts does not make for coherent management on the part of the Community.

In 8 cases out of 24, the Commission's role has been confined to dealing with consultancy bureaux that have already worked for the Commission in the past. For example, during an audit visit to Sri Lanka in October 1983, no assessment of the state of progress of a project was available to the Court despite the fact that, for four years, the Community had been financing two experts on the spot, each costing 7,000 ECU per month. In its reply, the Commission admits that only progress reports have been drawn up but not an evaluation as such. The Commission was obliged to dispatch an on-the-spot mission in early 1984 to speed up completion of the project for the end of 1985!

The checks carried out by the Court and its observations have doubtless in this case helped to bring about more rapid completion of an unsuitable project which risked being prolonged indefinitely.

- As regards Chapter 96 which relates mainly to cooperation agreements with Mediterranean countries, the Court examined, for the 1983 financial year, solely the implementation of the financial protocols to the agreements with the Maghreb countries:
- (a) the time taken by the Member States over ratification and the setting up of a procedure for the management of appropriations has delayed by two years the entry into force of the first financial protocols (each for a duration of five years).

- (b) If a comparison is made for the period 1979 to 1983 (five years) between the running costs of the on-the-spot delegations (excluding the remuneration of delegates) and the financing arrangements concluded¹, it is noted that the cost of a delegation represents only 1.7% and 5.4% in Tunisia while amounting to practically 26% in Algeria!
- (c) One is entitled to question the purpose of the budgetary scrutiny to which the Committee on Development and Cooperation each year submits Chapter 96 when learning like the Court that the Commission, to adapt to the reality of implementation in the field, has been compelled to carry out a series of budgetary manipulations: the carry-forward of appropriations, transfers from headings relating to Tunisia and Algeria and, finally, cancellations of appropriations that are sometimes on an alarming scale: for Algeria, 48.2% of the payment appropriations earmarked between 1978 and 1983, for Tunisia, 24.2% and for Morocco only 17.5%, because in the latter country the authorities were able to submit major projects.
- (d) The poor rate of implementation of the protocols cannot be explained solely by the fact that the legal framework is incomplete: faced with no other option, countries like Algeria would make do solely with the trade provisions in the cooperation agreement.
- (e) The procurement of equipment from outside both the Community and the recipient country is unacceptable, as is the fact that neither nor delegation and the Commission have not been in a position to ensure that this requirement is met by successful tenderers for certain projects in Algeria and Morocco.
- (f) For the observations concerning loan management by the EIB, reference should be made to the paragraphs below dealing with the EDF and the activities of the EIB.
- (2) with regard to chapter 15 of the annual reports which is devoted to the European Development Funds (EDF):
- There are many complex problems relating to the management of the EDF on account of the great diversity of the 64 countries involved and of their economic and social situations. Nevertheless, there are some fundamental questions:
- (a) is it normal that for a joint financing project where the Community is the principal donor, expenditure should be paid in US dollars? It is true that renegotiation of the contracts and aid conventions with partners accustomed to working in dollars would have meant a loss of time and hence of money. This project remains an exceptional case.

¹i.e. appropriations actually paid out by the Community

(b) is it normal to accept that certain ACP countries should refuse to grant tax exemption on products imported for use on a project? The Court notes, for example, that in the Central African Republic bitumous products for the construction of a road were taxed at 40% of their value'. The spirit and the letter of the Conventions provide for most-favoured nation treatment. Consequently, the arrangements granted to the World Bank, the projects of which are always exempt from tax, should be applied to the Community in the context of the EDF.

(c) Is it normal to accept official exchange rates varying by a factor of between one and ten by relation to the market rate? (for example, a driver for the Community delegation in an ACP country is paid the equivalent of Bfrs. 5,000 per month in local currency, although this means an outlay of Bfrs. 50,000 for the Community!).

- The Court of Auditors has on several occasions suggested to the Commission that it set up a kind of 'data bank' containing the results of its experiences (favourable and unfavourable) in the area of development policy:

This suggestion, described by the Commission as 'a naive gimmick on the part of the Court of Auditors', would make it possible to draw on past experience in a number of areas. For example, the appropriate measures for cattle dips or suitable standards for the construction of health care and school premises: for each project, the figures are recalculated without taking account of previous experience. A data bank would also make it possible to improve coordination of, and adopt a more rational approach towards, the procurement of equipment in a given sector: for example, the choice of motor-driven pumps for irrigation in the Sahel countries where the pumps currently in service are very diverse in nature with all the drawbacks that ensue in terms of maintenance and spare parts (see point 15.37 of the last annual report).

In the conclusions and recommendations of its recent special report on the coordination of Community aid to third countries, the Court returns to the problem in the following terms: 'Another basic improvement would be to pool and process, by computer, all the evaluation data kept by the Commission, the EIB, the Member States and the other donors. Creating a data bank of this kind, modelled on recent initiatives by the World Bank, would make it possible, in time, for those responsible for designing a new project to have at their disposal catalogues which analyse and compare experiences acquired in the past on similar projects'.

- Finally, in the light of the shortcomings as regards coordination, the Court recommends the setting up of a system of updated information files on development aid measures decided on by the Member States and their financial agencies.
- The Court also feels that there is inadequate monitoring of many projects by the on-the-spot delegations, too much of whose time is taken up by representative duties on behalf of the Commission. More frequent visits by the delegations to the various projects would help to disclose in good time shortcomings and faults likely to upset the smooth implementation of the measures in question: for example, a training project entrusted to a cooperation bureau had never been visited by the delegation and some of the teachers seconded to it did not know the language used for teaching.

The delegations also have an essential role to play in the assessment of completed projects, which there is a tendency to forget too swiftly. Finally, they should help oversee EIB projects (see below).

As the author of a motion for a resolution on the importance of the delegations of the Commission in the ACP countries and the Maghreb and Mashreq countries and the status of the overseas staff of the EAC¹, your rapporteur believes that the existence of active delegations is essential to the smooth operation of cooperation agreements such as the Lomé Convention and that proper monitoring of projects in the field justify both the high cost of a delegation (approx. 500,000 ECU per year) and job security through the granting of established status to staff.

- With regard to training problems, in addition to the observations made by the Court on the system of financial management for grants awarded to ACP citizens in the Community countries and on the lack of coordination between the bodies responsible for managing these grants and the Commission departments, a number of fundamental observations need to be made:

- it is true that the majority of EDF award holders are today following a course of study in one of the ACP countries (on average 1,000 per year), while a minority are doing so in a Community country (on average between 200 and 300 each year);

- however, all too often courses of study which are sometimes unduly prolonged do not meet the real needs of the country in question: thus some of those who have been trained opt for the private sector or leave the region or country;

- the Commission should continue, in its training policy, to give priority to local institutions and ensure that the grant holders are selected on a serious basis and that the training programmes are better linked to the economic and social life of the ACP countries and the priority sectors for which aid is sought: up to now, training has in fact been slanted too little towards development projects.

At the same time, there should be better selection of those responsible for training².

¹Document 2-1078/84 of 21.11.84, which incorporates a resolution already tabled during the life of the previous parliament (Doc. 1-1123/83 of 30.11.83)

²The remarks by your rapporteur must take account of the limits imposed by the Lomé Conventions in the matter of training. Apart from the requests which may be made only by the authorities of the country concerned, no other training activities may take place: it is plain that in the ACP countries where the universities do not have any political weight the outline programme will not make it possible to develop inter-university cooperation, even if this is urgently required in certain sectors and areas of research. Regional cooperation or a new budgetary heading would be required in that case.

- Like the Court, we note the absence of follow-up with regard to former EDF grant holders and trainees (register of and information for former award holders).
- The part played by the European Investment Bank (EIB) in the management of the various EDFs has not ceased to grow.

It has also expanded within the framework of the cooperation agreements with the Mediterranean countries.

Firstly, under the second and third EDF (Yaoundé I and II), the endowments in terms of EIB own resources were approx. 10% of the EDF: under the fourth and fifth EDF, they have increased to 12.7% and 18.7% respectively, although, under Lomé, the EIB is no longer responsible for the payment of special loans.

In its abovementioned special report, the Court notes that, at 31 December 1982, the EIB was responsible for the management of EDF funds totalling 2,254 million ECU (of which 1,470 million from its own resources).

Secondly, it has been responsible for the management of the various financial protocols with the Mediterranean countries to a total value of 3,302.7 million ECU (of which 2,558 million from its own resources).

In the light of the important place occupied by the EIB Community development cooperation, one is entitled to repeat the question asked by the 'Financial Times' of 25 November 1984 'Why is the EIB a closed book to the auditors?'

- The Court has complained regularly about the absence of information from the EIB, which has confined itself to providing a list of projects financed showing the relevant amounts.

The brief information contained in the EIB dossiers to the Commission do not enable the Court to carry out the mission entrusted to it by the Treaties, which consists in examining the accounts setting out all the revenue and expenditure of the Community (see point 15.72 of the 1982 annual report).

The Court is unable to carry out on-the-spot checks on projects managed by the EIB, while it can do so without difficulty for projects managed by the World Bank on behalf of the Community in the non-associated countries.

Progress has been made, since the EIB has agreed to forward interim reports to the Commission on financing projects spread over more than 3 years.

In the view of your rapporteur, the European Parliament should support the Court's viewpoint and remind the Commission that it has an overall responsibility for the management of the EDF and that, pursuant to Article 205 of the Treaty of Rome, it is responsible for the implementation of the European budget: the specific powers which it entrusts to the EIB in the matter of interest subsidies risk capital and special loans do not authorise it to evade its responsibilities. It is absolutely essential to strengthen

coordination between the activities of the Commission and those of the EIB so as to avoid certain projects being considered solely from a banking point of view without due regard for the economic and social development of the recipient country: it is worth referring here to the chapter devoted to the EIB in the MICHEL report on the assessment of Community development policies and the role of the European Parliament (Doc. 1-942/80, pages 16 to 18): the resolution adopted on the basis of this report already regretted the fact that the EIB did not undertake any ex-post assessment. The Commission delegations should be informed of current projects in each country concerned so as to enable them to exercise a measure of coordination in the field. The Court is right to draw attention to the contracts awarded by the EIB to companies not originating in the Community or in the recipient country: this has been the case with projects in ACP countries where the USA and Japan were allowed to submit tenders, although it should be borne in mind that the EIB raises loans on the markets in these two countries.

The clearer allocation of responsibilities between the Community and the Bank under the EDF is to be welcomed, and it is to be hoped that a similar effort will be made in respect of the cooperation agreements with the Mediterranean countries.

All the observations made by the Court about the cost of the services rendered by the EIB and the comparison with the conditions laid down by other international banks - the World Bank, which asks no fee, and the Asian Development Bank (ADB) and the Inter-American Development Bank (IDB), which charge 1% of the aid granted for projects - seem well-founded despite the specific nature of each bank.

How can the EIB justify, for example, a commission of 1.50% on risk capital not bearing any risk at the time the file is opened and then a commission of 0.75% each year on the outstanding balance?

How can the EIB justify the interest rates which it accords to the Commission for interest rebates which the latter grants to it or which cease to apply when the EIB loan is cancelled?¹

The question asked about the behaviour of the EIB towards the associated countries - is it a commercial bank or a development bank? - seems justified to your rapporteur who cannot support the Commission when it reproaches the Court for its unusual comments and for entering into a philosophical discussion. On the contrary, this is a subject which should be taken up and gone into in depth in another report.

¹It is difficult to accept that the rate accorded to the Commission represents only three quarters of the rate of interest charged by the EIB to the borrower or that it should be appreciably lower than the market rate.

D. CONCLUSIONS

1. The annual report on the 1983 financial year, like previous reports, offers a series of customary recommendations about the sound financial management of Community budget appropriations and European funds such as the EDF: everyone will, for example, go along with the Court requiring the Commission to transfer unused appropriations from the 3rd EDF to the 5th EDF or to close projects for which no financial transaction has been recorded for years so that idle funds can be released.

On the other hand, the Court will surprise some people by its readiness to assess the quality and effectiveness of Community policies in the longer term.

The European Parliament will welcome this trend which is even more accentuated in the 7th annual report: for the first time, the Court reexamines 20 EDF projects with a total value of 202.5 million ECU in respect of which serious difficulties had been noted during a previous audit.

Among these 20 projects, the Court has noted, by relation to its first audit, a clear improvement in respect of 7 projects, inadequate progress in respect of two projects, an unchanged situation in respect of 4 projects and a deterioration in respect of 7 projects: thus, there has been no improvement with regard to 55% of the projects where problems exist.

Of these 20 projects, 12 related to agriculture, fisheries and stock rearing and none of them could exist without prolonged financial and technical aid. There has been progress with 6 of these 12 agricultural projects, accounting for an investment of 54.4 million ECU, towards a certain degree of financial autonomy, while 6 others representing an investment of 85.2 million ECU were still not viable.

The Court cites meaningful examples such as the 'Sgou rice project' (ORS) in Mali which the former ACP-EEC Joint Working Party on Hunger visited in January 1982, which has benefited from substantial financing (48.3 million ECU) but which produced very disappointing results particularly on account of an official marketing policy of little benefit to farmers (see points 15.23 to 15.26).

Agricultural projects on the scale of the ORS are very complex and slow to implement because they necessarily form part of an entire national development strategy.

It is perhaps too early to talk of failure but it is essential that, on the basis of the data collected and conclusions reached by the Court and of the qualified answers given by the Commission, a full assessment be carried out of the ORS and that it be ascertained why thought was not given in good time to redesigning a project begun in 1968 and why, despite disappointing progress, no reassessment whatever has been carried out since 1972.

2. The timely observations made by the Court refer to specific shortcomings: they should serve to alert or warn the Commission, but they do not warrant generalizations.

It is to be feared that a too onerous series of checks, both within the Commission and externally (Court audit, ex-post assessment ...) will dissuade the various departments in Directorate-General VIII and the on-the-spot delegations from assuming their responsibilities and even risks.

The 1982 annual report by the Court (point 15.40) provides a revealing example of an urgent regional measure requested by Tanzania for the supply of spare parts for the increasingly outdated facilities of the Port of Kigoma (aid totalling 500,000 ECU approved by the Commission on 8 May 1981).

This urgent measure could be justified by the fact that the economies of Eastern Zaire and Burundi are heavily dependent on the railway link and port facilities between Kigoma (on Lake Tanganyka) and Dar-Es-Salaam. Back in 1979, the Community had provided finance to the tune of 2 million ECU for an air bridge between Dar-Es-Salaam and Bujumbura to avoid Burundi being completely cut off (all its coffee and tea exports were held up and it was deprived of 24,000 tonnes of imports which had been held up for months in Dar-Es-Salaam).

This emergency measure which was decided on in the beginning of May 1981 became operational through the delivery of spare parts only in October 1982 and was ended only in March 1983 after 22 months of following the usual procedures despite the repeated insistence of Tanzania and despite the fact that it was possible to make use of a rapid procedure for awarding contracts by mutual agreement under the direct supervision of the on-the-spot delegation.

3. Your rapporteur believes that the discharge can be granted in respect of Chapters 10 and 15 of the annual report on the 1983 financial year on condition that the new Commission undertakes to carry out a series of improvements in future financial years on the basis of the recommendations made in section C of this report:

- as regards food aid, a review of the entire management system with a view in particular to shortening the time taken to implement aid, and specific progress in the area of product quality and transport conditions;
- as regards agreements with the Mediterranean countries, more sustained and serious implementation of the various financial protocols and more accurate budgetary assessment;
- as regards the management of the EDFs, the setting up of a data bank, greater coordination of the various measures and a strengthening of the responsibilities of the on-the-spot delegations as regards project monitoring and assessment, as well as more systematic supervision of the activities of the EIB, with particular reference to the tasks delegated to it by the Commission. The data bank should be set up not only under the EDF for the ACP countries but also for the non-associated developing countries.

OPINION

(Rule 101 of the Rules of Procedure)
of the Committee on Women's Rights

Draftsman: Mrs DE BACKER-VAN OCKEN

At its meeting of 25/26 February 1985, the Committee on Women's Rights appointed Mrs DE BACKER-VAN OCKEN draftsman of an opinion.

At the same meeting, the committee unanimously decided to instruct Mrs DE BACKER-VAN OCKEN to draw up this opinion.

1. PRELIMINARY REMARKS

Since the Committee of Inquiry into the Situation of Women in Europe intervened, with some success moreover, in the budgetary procedure and secured the adoption of a number of amendments increasing the appropriations for women against certain items, the present Committee on Women's Rights considers that it should express its opinion on the various reports drawn up in connection with the budgetary discharge for the financial year 1983, namely: the Court of Auditors' report, and the reports drawn up by the Commission on the implementation of the budget of the European Communities and on the revenue and expenditure account and balance sheet.

Only the report on the revenue and expenditure account and balance sheet contains information which is of relevance to this opinion. The two other documents referred to are not sufficiently detailed and therefore contain no information on which our committee is able to comment.

The committee feels that failure to consider these reports could be construed as irresponsible behaviour on its part as regards the use of appropriations from the Community budget which are intended to benefit women in the Community.

The committee feels that the Committee on Budgetary Control is better placed to comment on the specifically accounting aspects of the deficiencies in budgetary management, not only because this matter falls within its terms of reference but also because of its technical grasp of the subject and its experience in this field; the committee intends therefore, to concentrate its comments on the political aspects.

2. PARTS OF THE BUDGET FALLING WITHIN THE COMMITTEE'S TERMS OF REFERENCE

The committee is directly concerned by the implementation of three articles of the budget, namely:

- (a) Item 2720 - Expenditure on information, publicity and participation in public events (part specifically earmarked for women)
- (b) Chapter 60 - Article 605 - Measures for women under the Social Fund
- (c) Item 6440 - Measures to achieve equality between men and women
- (d) Other items - Remarks

(a) Item 2720

Expenditure on information - part specifically earmarked for women.

The committee points out that it secured the adoption, in 1982, of a specific appropriation of 450000 ECU against this item. Indeed, it is plainly stated in the remarks against Item 2720 in the final version of the budget for the financial year 1983 that this appropriation 'includes 450000 ECU specifically earmarked for the information of women'.

Checks show that only half of this amount was spent in 1983 and that the other half was carried forward to 1984. This procedure strikes the committee as rather unorthodox. It is important to stress, however, that this is not made clear in the tables in the report on the revenue and expenditure account and balance sheet, which show only the cancellation of 326899 ECU (see table on page 94). The committee would like the Committee on Budgetary Control to check more particularly on the use of these appropriations intended specifically for the information of women.

(b) Chapter 60, Article 605

European Social Fund: Measures for women.

Commitment appropriations of 31080000 ECU and payment appropriations of 17750000 ECU were entered in the 1983 budget.

A study of the figures reveals that, while the overall amounts are correct, three or even four years are apparently necessary to pay for the various measures. One may therefore question the usefulness of a system which results in very serious delays in expenditure on measures for women financed from the budget; the committee hopes that, in future, this procedure will be spread over two years at the most, but under no circumstances over four years.

(c) Item 6440

Measures to achieve equality between men and women.

600000 ECU were entered in the 1983 budget under both commitments and payments.

It should be pointed out that as a result of a transfer of appropriations, the original appropriation of 600000 ECU was increased to 716000 ECU; one-quarter of the sum was paid out in 1983 and three-quarters were committed in 1983. Since these measures form part of the action programme for women, this procedure is absolutely normal and there is therefore no cause to criticize it.

(d) Other items

The draftsman points out that, for a number of other items, the Committee of Inquiry secured the entry of references in the budget, to either Council resolutions or resolutions adopted by the European Parliament itself, all directly relating either to equality of opportunity or to the situation of women in the Community. The items particularly concerned are:

- Item 630: Implementation of the education programme

The draftsman points out that reference was made to the following resolutions in the remarks to the budget:

- Council resolution of 12 July 1982 on the promotion of equal opportunities for women;
- resolution of the European Parliament of 11 February 1981 on the position of women in the Community;
- resolution of 12 May 1982 embodying the opinion of the European Parliament on the promotion of equal opportunities for women.

- Item 631: Preparation of young people for working life

The remarks refer to the same three resolutions as under the previous item.

- Item 634: Continuing training

- resolution of 12 May 1982 embodying the opinion of the European Parliament on the promotion of equal opportunities for women;
- Council resolution of 12 July 1982 on the promotion of equal opportunities for women.

- Item 6400: Research and related measures on labour market trends

The remarks point out that this item is intended to finance compilation work to derive uniform data for the entire Community in order to have uniform statistics and studies on equality of opportunity for women.

- Item 6401: Cooperation in the field of employment

The remarks refer to Council Directive 76/207/EEC of 9 February 1976 on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion and working conditions.

- Item 6441: Measures for the social integration of handicapped persons and to assist old people

The remarks refer to the Council resolution of 21 January 1974 concerning a social action programme which gives priority to migrant workers, handicapped persons and women within the framework of the social action programme.

- Item 6451: Studies and actions in respect of social security

The remarks refer specifically to Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security and points out that this appropriation is intended to cover expenditure connected with studies and new research carried out by the Commission in this field.

Looking at these various remarks, the draftsman would have liked to know from the Commission what actual impact they have had on the implementation of measures, be they general measures from which women have benefited or measures specifically for women financed under these various items.

Indeed, one may wonder whether, in future, there is any point in having such remarks adopted by the European Parliament, since while they admittedly look impressive in a budgetary document, they appear unlikely to have any further impact.

Indeed, from a study of these documents, it does not appear that these remarks have had any particular effects.

3. CONCLUSIONS

By way of conclusion the committee wishes to state the following: in its opinion the appropriations specifically earmarked for the information of women (Item 2720) have not been used correctly, the measures for women (Chapter 60, Article 605 - European Social Fund) part-financed by the European Social Fund should not, in future, be spread over four years but over two years at the most, and Item 6440 has been implemented correctly; lastly, on the question of the impact of the remarks entered in the budget, the committee reserves the right to determine how to proceed in future.

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