

EUROPEAN PARLIAMENT

# Working Documents

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20 October 1983

DOCUMENT 1-906/83

## Report

drawn up on behalf of the Committee on Social  
Affairs and Employment

on the proposals concerning the European Social  
Fund contained in the report by the Commission  
on ways of increasing the effectiveness of the  
Community's structural funds

Rapporteur: Mr B. PATTERSON



At its sitting of 12 September 1983, the European Parliament, pursuant to Rule 94 of the Rules of Procedure, referred the Communication from the Commission of the European Communities to the Council entitled 'Report and proposals on ways of increasing the effectiveness of the Community's structural funds' (Doc. 1-646/83 - COM(83) 501 final) to the Committee on Social Affairs and Employment as the committee responsible for the sections falling directly within its terms of reference, and notably those relating to the European Social Fund, and to the Committee on Budgets and the Committee on Budgetary Control for their opinions (see also the letter from Mr Gaston THORN, President of the Commission of the European Communities, dated 11 August 1983).

On 20 September 1983, the Committee on Social Affairs and Employment appointed Mr Ben PATTERSON rapporteur.

The Committee considered the draft report at its meeting of 18 October 1983, and adopted it unanimously at its meeting of 19 October 1983.

The following took part in the vote: Mr Papaefstratiou (Chairman); Mr Pattison (Vice-chairman); Mr Frischmann (Vice-chairman); Mr Patterson (rapporteur); Mr Alexiadis (substitute member); Mr Boyes; Mrs Cassanmagnago-Cerretti; Mrs Kellett-Bowman (deputizing for Mr Tuckman); Mrs Nielsen; Mr Prag; Mrs Salisch; Mr Van Minnen; Mr Vernimmen.

The opinions of the Committee on Budgets and the Committee on Budgetary Control are attached.

The report was tabled on 19 October 1983.

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The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the proposals concerning the European Social fund contained in the report by the Commission on ways of increasing the effectiveness of the Community's structural funds

The European Parliament,

- having regard to the communication from the Commission to the Council, submitting its report and proposals on ways of increasing the effectiveness of the Community's structural funds (Doc.1-646/83 - COM(83) 501 final),
  - having regard to the letter from Mr THORN, President of the Commission of the European Communities, dated 11 August 1983,
  - having regard to Rule 94(1) of the Rules of Procedure,
  - having regard to the report by the Committee on Social Affairs and Employment and the opinions of the Committee on Budgets and the Committee on Budgetary Control (Doc. 1-906/83),
- A. in view of the continuing increase in the number of unemployed in the Community, in particular the long-term unemployed and those under 25 years of age, both male and female,
- B. believing that the Community can make a real contribution towards a reversal of this trend,
- C. considering, however, that this will require a substantial shift of the Community's budgetary resources towards the structural funds,
- D. noting that the European Social Fund, in particular, is both a symbol of Community solidarity and an important instrument of labour market policy,

E.       whereas the conciliation procedure with Council concerning the reform of the Social Fund has revealed divergencies between Council, Commission and Parliament:

1.       Re-affirms that the purpose of the funds is to improve the structure of the Community's economy as a whole, and not merely to effect budgetary transfers between Member States;
2.       Is therefore in entire agreement with the Commission that projects and programmes financed by the Social Fund should be selected on the basis of Community priorities;
3.       Likewise agrees that the financing of the Fund should be on the basis of a medium-term plan, which would commit the budgetary authority to predictable increases in spending over a period of years;
4.       Insists that the European Parliament must play a major role in determining these priorities and plans, and deplores the fact that the Commission makes no mention of Parliament's role, other than expressing the "earnest hope" that "both arms of the budgetary authority can be associated in the definition of a medium-term plan";
5.       Points out, in this context, that Parliament will retain both a final say over non-obligatory expenditure, including the Social fund, and the power to discharge the Commission on the Fund accounts; and therefore that it is logical to involve Parliament in determining Fund priorities from the start;

6. Agrees with the Commission that the complementarity of assistance from the structural funds should be strengthened, as in the current integrated operation;
7. Would also emphasise, however, the unique objectives of the Social Fund, as established in the EEC Treaty: notably, to promote the geographical and occupational mobility of workers; and points out that these may not always coincide with the objectives of the other Funds (for example, Fund assistance for the training of migrant workers is needed in the relatively prosperous areas to which they move, rather than in the poorer regions from which they come);
8. Supports the Commission's proposal that the Funds' rates of participation in projects should be raised, and believes that the Social Fund regulation should be amended accordingly;
9. Is in broad agreement with the Council decision that at least 75 % of the Social Fund should be used to promote employment for the under-25's; and that 40 % of the allocation for general measures should go to the absolute priority regions;
10. Also wishes to ensure, however, that certain target groups - particularly the disabled, women wishing to return to work, and migrant workers - continue to receive at least equivalent proportions of fund expenditure as in the past;
11. Re-emphasises its belief, expressed in its resolution of 17 May 1983 on the Social Fund regulation,<sup>1</sup> that it should be made easier for voluntary and charitable bodies to receive support from the Fund, by enabling alternative sources of finance to substitute for public finance;
12. In view of the fact that the Fund is regularly oversubscribed, is deeply concerned at the continuing high number of cases in which projects have been delayed, advances not spend, and projects have been cancelled altogether; believes that decommitals and re-utilisation is only a stop-gap solution; and is therefore keenly interested in the effectiveness of the Commission's proposed measures for ex-ante assessment and other improvements in management;

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<sup>1</sup> OJ C 161, 20.6.83

13.        Regrets the failure of the budgetary authority to respect Article 9, paragraph 2 of the Social Fund regulation when adopting the 1983 Budget, a failure which has resulted in the blocking of payments for approved projects and substantial carry-overs into 1984; and determines that greater care will be taken in the future to prevent similar mistakes;
  
14.        Welcomes the Commission's desire to increase the proportion of the Budget allocated to structural spending but believes that, as far as the Social Fund is concerned, this should be doubled in real terms over two, rather than five years;
  
15.        Instructs its President to forward this resolution to the Council, the Commission and to the European Council with a view to its next meeting.



OPINION

OF THE COMMITTEE ON BUDGETARY CONTROL

Letter from the Chairman of the Committee to Mr Efstratios PAPAEFSTRATIOU,  
Chairman of the Committee on Social Affairs and Employment

Subject: Commission report and proposals on ways of increasing the  
effectiveness of the Community's structural funds  
(COM(83) 501 final), with particular reference to the  
European Social Fund.

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Dear Mr Papaefstratiou,

At its meeting of 10 October 1983 in Strasbourg, the Committee on Budgetary Control adopted the following opinion on the above-mentioned document.

The first point raised by the committee in its discussions was that, in frequent instances, the opinions expressed by Parliament on Commission proposals for Council regulations were not taken into consideration at a sufficiently early stage. A further subject of criticism was the fact that, even when the Council was disposed to take action on Parliament's opinions, the necessary financial resources could not be made available under the budget.

The committee noted that the Commission was attempting in its document to assess the present situation of the structural funds and devise proposals for the future:

- The Commission recognizes that their effectiveness could be improved. Nor does it conceal the problems of coordination and management, which have in the past been a feature of fund operations.
- It proposes a global strategy, founded on the following three elements:
  - (a) conditionality of fund assistance,

(b) coordination of operations under the individual funds and with national policies,

(c) concentration of fund assistance.

The general criteria are in line with the views of the European Parliament and especially the opinions expressed in the course of the most recent discharge procedures in the reports of the Committee on Budgetary Control, most notably

(a) wider scope for action by the Commission which would be allowed to apply tighter conditions for fund assistance. This would help to improve both the quality of the subsidized projects and the implementation of specific Community measures;

(b) the need for closer coordination of assistance under the funds has been emphasized by Parliament on several occasions; the Committee on Budgetary Control, particularly in relation to the 1981 discharge (paragraph 16), has stressed that the coordination of the individual structural funds and national policies presents certain difficulties. The reinforcement (in terms of both authority and legal position) of the 'task force', which is to arrange this coordination, is therefore absolutely essential;

(c) the concentration of assistance would seem to be desirable but it should not be forgotten that the individual funds pursue distinct objectives.

The Commission devotes a further series of considerations to improving the management and monitoring procedures; among the most notable innovations are:

(a) an improvement in the systems of advance assessment of subsidized actions, largely on the basis of cost-benefit analysis;

(b) thorough retrospective scrutiny of the economic and financial aspects, with the aid of more precise information from national authorities and a unit with responsibility for all the funds, to monitor economic efficiency;

(c) stricter procedures as regards advances, with provision for repayment of the capital and, most importantly, payment of interest if the resources had not been used up, or improperly used.

The European Parliament has on several previous occasions argued the need for provisions of precisely this kind:

(a) The Committee on Budgetary Control had already suggested, in connection with a number of Community actions, that cost-benefit analysis should be used.

(b) The need for close monitoring of regularity and effectiveness is a recurrent theme of previous discharge decisions (cf. paragraph 10 of the 1980 discharge report; paragraphs 12, 15, 37 of the 1981 discharge report); Parliament also suggested that a 'flying squad' be set up to help combat abuses.

The Commission must now seek to accord the proposals for new measures pending before the Council with its declarations of principle, and devise new proposals which will give more forceful expression to these principles.

With regard to the specific case of the European Social Fund, the Committee on Budgetary Control pointed out that the Council had already issued a joint position in this field, but the conciliation procedure with the European Parliament had not yet produced satisfactory results. Parliament would like to be given a greater say than the Commission at present allows in the procedure for defining the annual guidelines. It should be noted that the Council's joint position does not take up the Commission's proposal on the imposition of interest payments (in addition to the repayment of the capital) for the improper use of advances.

Yours sincerely,  
(sgd) Heinrich AIGNER

The committee adopted the above opinion with 15 votes in favour and 1 abstention. The following took part in the vote: Mr AIGNER (chairman), Mr TREACY and Mrs BOSERUP (vice-chairmen), Mr GABERT, Mrs HERKLOTZ (deputizing for Mrs van HEMELDONCK), Mr JÜRGENS, Mr KELLETT-BOWMAN, Mr KEY, Mr LALUMIERE, Mr MART, Mr NOTENBOOM, Mr PATTERSON, Mr SABY, Mr Konrad SCHÖN, Mr SIMONNET (deputizing for Mr MARCK) and Mr WETTIG.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr PROTOPAPADAKIS

On 21 September 1983, the Committee on Budgets appointed Mr PROTOPAPADAKIS as draftsman of an opinion on the report and proposals on ways of increasing the effectiveness of the Community's structural funds.

The committee discussed the opinion at its meeting of 13 October 1983, and adopted it unanimously.

The following members were present: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mr Protopapadakis, draftsman; Mr Baillet, Mr Brok (deputizing for Mr Barbagli), Mr Croux, Mr Lalumière, Mr Langes, Mr Mertens (deputizing for Mr Pfennig), Mr Newton-Dunn, Mr Saby.

1. The Commission has tabled this document, in execution of the Stuttgart mandate, in order to define a medium-term perspective for the evolution of structural funds. The proposals were discussed at the special meeting of the Council dedicated to the Stuttgart mandate on 30th August 1983, at which no conclusions could be reached owing to the wide range of diverging opinions between the Member States.

2. The need for a more coherent and effective intervention of the structural funds, in order to promote convergence in income and productivity between the various regions and economic sectors, will hardly be denied by anyone.

The Commission itself refers in its report to the need to boost the effectiveness of the structural Funds, especially from the point of view of interaction with national measures, and the definition and implementation of Community objectives. At this level "the shortcomings are greatest. They cannot be remedied without substantial changes in the existing framework" (page 5).

At the same time, the Commission refers to some improvements in management which could result in a more effective intervention of the Funds, mainly through better coordination of actions undertaken.

The Commission's document contains, moreover, the proposal of an overall objective for Community spending on structural measures, which should double in real terms between 1984 and 1988.

3. Parliament has always insisted on the need to reinforce structural action, in order to reduce imbalances in the Community. In its resolution on further development of the Community and how to finance it<sup>(1)</sup>, it underlines that

"- the cause of budgetary imbalance lies mainly in the preponderance of price support measures for certain agricultural produce of which there is an excess,

- common structural policies must be expanded in other sectors as well.

Parliament's resolution on the guidelines for 1984 budgetary policy<sup>(2)</sup>, in particular, recognizes the need for promoting economic convergence and regional development, and stresses the importance of "better coordination of the financial instruments" with :

- structural funds directed towards measures more specifically geared to the Community, and
- wider use of interest subsidies.

(1) OJ No. C 161 of 20.6.83.

(2) OJ No. C 96 of 11.4.83.

4. The Commission's report rightly recognizes the need for structural Funds to "first and foremost be tools of development and structural adaptation, rather than financial redistribution mechanisms"; moreover, the Funds "must act in support of objectives defined by the Community itself"; it is therefore necessary that Community assistance through the Funds be characterized by :

- (a) conditionality,
- (b) programme financing,
- (c) concentration on well-defined targets.

5. The Commission does not propose specific measures for the attainment of these objectives : it should, therefore, carefully re-examine the main proposals for Community action tabled in the relevant sectors, in order to check if its contents are in line with the principles now fixed in the document under discussion, and modify its proposals if that should be necessary.

An analysis of the situation in each Fund leads us to the following considerations :

#### 6. EAGGF Guidance

The Commission recognizes that this sector is characterized by a certain scattering of funds : "the money has had to be spread out too thinly over too wide an area". It is not very clear, however, by which means the Commission will try to concentrate the interventions : an "improvement in agricultural income in the less-favoured regions" is listed as one of the main priorities, yet it seems that the Commission thinks that the 24 regional programmes now under operation cause a dispersion of effort. It is therefore to be assumed that, in the future, the main emphasis will be put on integrated programmes, such as the Mediterranean ones.

These programmes, in fact, try to solve some of the problems referred to earlier : the need to create "a more comprehensive regional development framework, alongside, but coordinated with, the other Funds", and the need to concentrate Community intervention.

As regards the funds available for Guidance, they must be substantially increased in order to ensure the effectiveness of action, yet this increase "must take place as part of a transfer of financing from purely national policies to the Community policies".

Parliament can broadly agree on this approach, which falls into line with its advocacy of "a structural policy which concentrates more on specific programmes and on the regions of greatest need and greater use of combined interventions under the various European funds through integrated operations" (Resolution on CAP reform, 17.6.81.).

On the other hand, we should however consider that the main measures in the field of structural policy are due to expire at the end of 1983. The new proposals have been in preparation for a long time and have just been tabled by the Commission. It will be interesting to examine how these proposals will fit into the new approach adopted by the Commission. These measures should provide for :

- (a) better information by Member States, both on national programmes and execution of Community programmes,
- (b) better control of complementarity,
- (c) interest payments on advances which are not correctly used.

#### 7. Social Fund

The Commission's document refers to Council's common position on the review of the Fund, taken on 2 June 1983.

The common position clearly provides for some concentration, from the geographical point of view, since it states that 40% of the allocation for general measures should be reserved for schemes to promote employment in Greenland, Greece, the French overseas departments, Ireland, the Mezzogiorno and Northern Ireland. On the other hand, one of the fundamental criteria for intervention in the non-priority regions proposed by Parliament during the conciliation procedure with Council (i.e. gross internal product by head) has not been accepted, for the time-being, despite its evident usefulness towards the objective of inducing deeper convergence.

Furthermore, another request of Parliament, concerning a higher rate of aid in the case of integrated development operations, was not taken into due account. Parliament also asked that "priority be given to those operations involving the participation of other Community financial instruments, such as EAGGF, ERDF, EIB, NCI"<sup>(1)</sup>. The Commission has undertaken however in its document to attach priority, when drawing up the annual guidelines for Fund

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<sup>(1)</sup> Resolution of 17.5.83, para. 30



management, to the programmes which fit in with common policies. This underlines still more, therefore, the need for Parliament's prior consultation on the guidelines themselves.

Some simplification of procedures has been obtained in the operation of the Fund though the fact that Council has not accepted Commission's proposal of interest payments for sums paid and not used in accordance with rules can only be deeply regretted.

#### 8. European Regional Development Fund

The Commission is more communicative in its document as regards problems and initiatives in the regional development sector.

It is to be noted that, at present, the new ERDF regulation is still under discussion in Council; and so is a second series of Community actions in the non-quota sector. Whilst some progress has been made on such issues as coordination of national regional policies, programme financing, support for the indigenous potential of regions and the promotion of integrated operations, certain important issues, such as concentration of the quota section and volume of the non-quota section, are still outstanding. Any initiative is therefore blocked, pending Council's decision; still, the Commission has drawn up some perspectives for the future which need to be examined.

Parliament has already expressed, on 22 April 1982 (De Pasquale report), its agreement on the main points of the Commission's proposals as regards, in particular, the idea of a "dialogue" between national and Community authorities, which should lead to the conclusion of "programme contracts", co-financed with Member States, as a means to guarantee better economic effectiveness and forecasting while expressing some demands for better coordination and modulation of actions.

The Commission, therefore, modified on 6 September 1982 its original proposals, taking into account some of Parliament's remarks.

However, some very important suggestions formulated by Parliament, which have a direct bearing on the objectives outlined in the present document, have not been followed up by the Commission : this is true, for example, as regards :

- (1) better cost/benefit forecasting (Article 8.3),
- (2) better coordination between the Funds in the phase of drawing up the programmes (Article 9.5),
- (3) strengthening of Commission control of management (Article 25.1),
- (4) better control of job-creating effects of the programmes, based on homogenous statistics (Article 26),
- (5) reinforcement of the Commission's powers in implementing the actions (Article 31.3).

The importance of Parliament's suggestions is implicitly recognized by the Commission since it now stresses the need to reinforce these aspects of ERDF planning and management. The Commission also outlines some ideas for the future: adopting another priority for ERDF intervention (i.e. aid to areas struck by industrial decline), abolishing the quota/non-quota division, and substituting national quotas with indicative ranges for the approximate share of each Member State. These ideas may only be judged on the basis of more detailed proposals; but it is clear that only through a strong increase in ERDF appropriations, will it be possible to take on new tasks without any prejudice of the effort to reduce structural imbalances.

#### 9. Coordination and management of the Funds

The problems of complementarity, overlapping and combination of the Funds are rightly identified as being of the uttermost importance. The Commission relies on its new approach, through integrated programmes and operations, to ensure the best complementarity of measures, and has carried out a systematic analysis of the possible overlapping between the various categories of measures. The creation of a "central register of projects or programmes", submitted for financial assistance from the structural Funds and other Community instruments", is also under way.

The Commission also announces some strengthening of its departments responsible for ex-ante economic assessment of the projects and programmes, as well as the decision to set up a specific unit in order to monitor economic effectiveness and oversee the three Funds.

Lastly, the Commission proposes that interest should be paid on advances paid out and used late, or not used at all.

10. Budgetary implications

The proposal contained in the document (doubling the Funds' expenses in real terms by 1988) is on a parallel with the triennial financial forecasts 1984-1985-1986 contained in the 1984 Preliminary Draft Budget.

In order to achieve this result, taking into account a 7% inflation rate, nominal growth should be around 23% per year.

EAGGF Guidance - Evolution forecast of appropriations

<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	
597.1	647.8 (+8.5%)	833 (+28.6%)	890 (+6.8%)	PA
759.4	733.5 (-3.5%)	866 (+18%)	925 (+6.8%)	CA

Social Fund - Evolution forecast of appropriations

<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	
1,285.5	1,500 (+20.6%)	2,050 (+32.2%)	2,500 (+22%)	PA
1,696.5	2,400 (+41.5%)	3,000 (+ 25%)	3,600 (+20%)	CA

Regional Fund - Evolution forecast of appropriations

<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	
1,259	1,500 (+19.2%)	2,260 (+50.7%)	2,600 (+15%)	PA
2,010	2,500 (+24.3%)	3,070 (+22.8%)	3,780 (+23.1%)	CA

Overall evolution (EAGGF Guidance, ESF, ERDF)

<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	
3,141.6	3,697.8 (+17.7%)	5,143 (+39.1%)	5,990 (+16.4%)	PA
4,465.9	5,766 (+29.1%)	6,936 (+20.3%)	8,305 (+19.7%)	CA

This data does not take into account the integrated Mediterranean programmes which should add the following amounts :-

<u>1984</u>	<u>1985</u>	<u>1986</u>	
10	400	650	PA
10	675	810	CA

As can be seen from the data aforementioned, the Commission will try to implement its proposals by making a particular effort in commitments in 1984 (+ 29.1 %) which should lead to a considerable increase in payments in 1985 (+ 39.1 %).

On the other hand, it may be observed that Council decisions on the Draft Budget 1984 considerably undermine the Commission's strategy by reducing commitments drastically, as can be seen from the following figures, while also cutting payments considerably.

1984 :-

EAGGF Guidance	581.6	PA
	(666.5)	CA
ESF :	1,285.5	PA
	(1,696.5)	CA
ERDF :	1,300	PA
	(2,000)	CA
<u>TOTAL</u> :	3,167.1	PA
	(4,363.0)	CA

Sadly enough, it is therefore easy to predict that the pace set by the Commission will risk incurring a considerable delay; Parliament must exert every possible effort, on the other hand, to guarantee the financing and implementation of a serious programme of structural changes.

#### 11. Remarks

The problem of effectiveness in Community structural spending is now the central consideration. The Commission recognizes the need to develop an approach which stresses Community objectives, so that the Funds may really have a structural, and not a redistributive function. It has not yet

recognized, however, the need to have a complete overlook of the Member States' spending in the relevant sectors, so as to coordinate national programmes and, eventually, substitute national intervention by Community intervention in the areas where Community spending may be more effective.

Commissioner Tugendhat, in his answer to the interlocutory report on future financing (see PE 85.651), points out the difficulties of drawing up such an overlook; it is nonetheless a prerequisite for a coordinated Community effort.

The second point which should be emphasized is the need for better coordination between the Funds : it is true that the integrated programmes will, hopefully, help to solve this problem in the future, but it is essential that, in the meantime, the role of the so-called "Task Force" be clearly defined and reinforced. Statements like "It is therefore necessary to strengthen the complementarity of instruments where this is necessary and desirable, while at the same time eliminating lack of cohesion and duplication, which should lead to the wastage of public funds" (page 19), while undoubtedly true, can hardly be considered a step towards the solution of coordination problems.

Thirdly, the Commission must therefore come forward with practical proposals for the implementation of its ideas on "substantial changes in the existing framework".

In each of the different sectors, the Commission has recently tabled important proposals for measures : these proposals should be brought into line with the principles set out in the document.

## 12. Conclusions

The Committee on Budgets :

- (a) agrees with the Commission on the need for a more coherent and effective intervention of the structural funds, which should work as tools of structural adaptation rather than financial redistribution mechanisms;
- (b) welcomes the statement by the Commission that Community assistance through the Funds should therefore be characterized by stronger conditionality, concentration on well-defined objectives and programme financing;

- (c) insists, therefore, that Commission proposals for measures in the relevant sectors be adapted where necessary to the above-mentioned principles;
- (d) recalls that Parliament, in its opinions, has pointed out several means of enhancing coordination between Funds as well as better control and information over effectiveness of Community actions;
- (e) recognizes the need to reinforce the financial means of the structural Funds if Community intervention is to exert any perceptible effect on economic convergence and structural change;
  
- (f) stresses the principle that any restructuring of the Funds should pay the utmost attention to increasing assistance to areas and sectors which most need intervention;
- (g) remarks that the timetable outlined by the Commission for the development of the appropriations may not be met due to shortage of financial means;
- (h) insists that the Commission try to obtain a complete overview of Member States' spending in the relevant sectors, in order to substitute national intervention by Community intervention in the areas where Community spending may be more effective;
- (i) asks the Commission to strive to put into practice the ideas outlined in the document under discussion, taking into account Parliament's suggestions on the subject.