

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

10 November 1983

DOCUMENT 1-990/83

Report

drawn up on behalf of the Committee on Agriculture

on the communication from the Commission of the European Communities to the Council (Doc. 1-646/83 - COM(83) 501 final) on ways of increasing the effectiveness of the Community's structural funds, especially that of the EAGGF Guidance Section

Rapporteur: Mr N. DAVERN

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Working Documents

198₃-198₄

February 1984

DOCUMENT 1-990/83/CORRIGENDUM

CORRIGENDUM

to the report by Mr DAVERN

drawn up on behalf of the Committee on Agriculture

on the communication from the Commission of the European Communities to the Council (Doc. 1-646/83 - COM(83) 501 final) on ways of increasing the effectiveness of the Community's structural funds, especially that of the EAGGF Guidance Section

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OPINION OF THE COMMITTEE ON BUDGETARY CONTROL¹

This opinion replaces the one annexed to the report by Mr DAVERN - Doc. 1-990/83

Letter from the committee chairman to Mr DE PASQUALE, chairman of the Committee on Regional Policy and Regional Planning

Strasbourg, 12 October 1983

Subject: Commission proposals on ways of increasing the effectiveness of the Community's structural funds, especially that of the European Regional Development Fund (COM(83) 501 final)

Dear Mr De Pasquale,

At its meeting in Strasbourg on 10 October 1983, the Committee on Budgetary Control adopted the following opinion on the abovementioned document.

In its deliberations, the committee drew attention first of all to a frequent failure to take Parliament's opinions on Commission proposals for Council regulations into consideration in good time. The committee also expressed regret that on occasions when the Council acts on Parliament's opinions, the necessary resources are not available in the budget.

The committee noted the Commission's attempt in this document to describe the current situation of the structural funds and to submit proposals for the future.

- The Commission acknowledges that there are problems concerning efficiency, coordination and administration and that these have affected the operation of the funds in the past.
- It proposes a comprehensive strategy based on the following three elements:
 - (a) conditions to be attached to aid from the funds,
 - (b) coordination of the work of the various funds amongst themselves and with national policies,
 - (c) concentration of aid from the funds.

The general criteria correspond to the European Parliament's guidelines particularly as regards the opinions based on the reports by the Committee on Budgetary Control in the context of the last discharge procedure, and, more specifically:

- (a) greater margin for manoeuvre for the Commission created by the tighter conditions governing aid from the fund which should improve the quality of the projects receiving aid and the implementation of specific Community measures;
- (b) the European Parliament repeatedly stressed the need for improved coordination of aid from the funds; the Committee on Budgetary Control emphasized the difficulty in coordinating the various individual funds and national policies, particularly in the context of the 1981 discharge (paragraph 16). It is therefore essential that the 'task force' responsible for coordination should be provided with extra staff (authority and legal status);
- (c) concentration of aid seems to be a desirable objective but we must not forget that the different funds have different aims.

The committee also considered a series of topics relating to ways of improving administrative and control procedures. The following specific measures are envisaged:

- (a) improvements in the methods of advance assessment of projects in receipt of aid, particularly by means of cost-benefit analysis;
- (b) thorough post hoc financial and economic controls on the basis of detailed information from the national administrations and with the assistance of a joint unit for monitoring economic effectiveness;
- (c) a more stringent procedure on advances whereby the capital, and above all the interest, is repaid if the appropriations are not utilized or are utilized incorrectly.

A number of points which the European Parliament has raised on many occasions apply here:

- (a) The Committee on Budgetary Control has recommended the use of cost-benefit analysis in connection with several Community projects.
- (b) The need for a detailed examination into sound management and effectiveness has formed a leitmotiv in the decisions on the discharge over the last few years (see paragraph 10 of the 1980 discharge; paragraphs 12, 15 and 37 of

the 1981 discharge); Parliament also proposed that a mobile task force be set up to combat fraud.

The Commission must now reconcile its proposals for measures submitted to the Council for a decision with the principles set out above and draw up new proposals to ensure that they are implemented more fully than in the past.

As regards the problems connected with advances, particularly in the EAGGF Guidance Section (see 1981 discharge, paragraph 33), the Commission has already laid down parameters. The reclaiming of capital and interest in respect of advances which are used incorrectly, or not at all, is in line with this proposal.

In the case of the EAGGF Guidance Section, the Committee on Budgetary Control would like to draw attention to the Commission's new proposals for measures to replace those which expire at the end of 1983. It will be necessary to carry out a detailed examination of the regulations relating to coordination on integrated measures, the exchange of information with the Member States and the payment of advances and interest.

Yours sincerely,

(sgd.) Heinrich AIGNER

The committee adopted the above opinion unanimously with 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 Lalumière, Mr Mart, Mr Notenboom, Mr Patterson, Mr Saby, Mr Konrad Schön, Mr Simonnet (deputizing for Mr Marck) and Mr Wettig.

European Communities

EUROPEAN PARLIAMENT

Working Documents

198₃ - 198₄

3 February 1984

DOCUMENT 1-990/83/CORRIGENDUM 2

CORRIGENDUM 2

to the report by Mr DAVERN

drawn up on behalf of the Committee on Agriculture

on the communication from the Commission of the
European Communities to the Council (Doc. 1-646/83 -
COM(83) 501 final) on ways of increasing the
effectiveness of the Community's structural funds,
especially that of the EAGGF Guidance Section

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OPINION OF THE COMMITTEE ON BUDGETARY CONTROL¹

This opinion replaces the one annexed to the report by
Mr DAVERN - Doc. 1-990/83

Letter from the committee chairman to Mr CURRY, chairman of the Committee
on Agriculture

Strasbourg, 12 October 1983

Subject: Commission proposals on ways of increasing the effectiveness of the
Community's structural funds, especially that of the European Regional
Development Fund (COM(83) 501 final)

Dear Mr Curry,

At its meeting in Strasbourg on 10 October 1983, the Committee on Budgetary
Control adopted the following opinion on the abovementioned document.

In its deliberations, the committee drew attention first of all to a frequent
failure to take Parliament's opinions on Commission proposals for Council regu-
lations into consideration in good time. The committee also expressed regret that
on occasions when the Council acts on Parliament's opinions, the necessary resources
are not available in the budget.

The committee noted the Commission's attempt in this document to describe
the current situation of the structural funds and to submit proposals for the
future.

- The Commission acknowledges that there are problems concerning efficiency,
coordination and administration and that these have affected the operation
of the funds in the past.

- It proposes a comprehensive strategy based on the following three elements:
 - (a) conditions to be attached to aid from the funds,

 - (b) coordination of the work of the various funds amongst themselves
and with national policies,

 - (c) concentration of aid from the funds.

The general criteria correspond to the European Parliament's guidelines
particularly as regards the opinions based on the reports by the Committee on
Budgetary Control in the context of the last discharge procedure, and, more
specifically:

- (a) greater margin for manoeuvre for the Commission created by the tighter conditions governing aid from the fund which should improve the quality of the projects receiving aid and the implementation of specific Community measures;
- (b) the European Parliament repeatedly stressed the need for improved coordination of aid from the funds; the Committee on Budgetary Control emphasized the difficulty in coordinating the various individual funds and national policies, particularly in the context of the 1981 discharge (paragraph 16). It is therefore essential that the 'task force' responsible for coordination should be provided with extra staff (authority and legal status);
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- (a) improvements in the methods of advance assessment of projects in receipt of aid, particularly by means of cost-benefit analysis;
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A number of points which the European Parliament has raised on many occasions apply here:

- (a) The Committee on Budgetary Control has recommended the use of cost-benefit analysis in connection with several Community projects.
- (b) The need for a detailed examination into sound management and effectiveness has formed a leitmotiv in the decisions on the discharge over the last few years (see paragraph 10 of the 1980 discharge; paragraphs 12, 15 and 37 of

the 1981 discharge); Parliament also proposed that a mobile task force be set up to combat fraud.

The Commission must now reconcile its proposals for measures submitted to the Council for a decision with the principles set out above and draw up new proposals to ensure that they are implemented more fully than in the past.

As regards the problems connected with advances, particularly in the EAGGF Guidance Section (see 1981 discharge, paragraph 33), the Commission has already laid down parameters. The reclaiming of capital and interest in respect of advances which are used incorrectly, or not at all, is in line with this proposal.

In the case of the EAGGF Guidance Section, the Committee on Budgetary Control would like to draw attention to the Commission's new proposals for measures to replace those which expire at the end of 1983. It will be necessary to carry out a detailed examination of the regulations relating to coordination on integrated measures, the exchange of information with the Member States and the payment of advances and interest.

Yours sincerely,

(sgd.) Heinrich AIGNER

The committee adopted the above opinion unanimously with 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 Lalumière, Mr Mart, Mr Notenboom, Mr Patterson, Mr Saby, Mr Konrad Schön, Mr Simonnet (deputizing for Mr Marck) and Mr Wettig.



At its sitting of 12 September 1983, the European Parliament 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' pursuant to Rule 94(1) of the Rules of Procedure to the Committee on Agriculture - with specific reference to the EAGGF Guidance Section - the Committee on Regional Policy and Regional Planning and the Committee on Social Affairs and Employment as the committees responsible (each dealing with those aspects falling within its terms of reference) and to the Committee on Budgets and the Committee on Budgetary Control for opinions.

At its meeting of 20/21 September 1983, the Committee on Agriculture appointed Mr Davern rapporteur.

It considered the draft report at its meeting of 3/4 November 1983 and adopted it unanimously.

The following took part in the vote: Mr Colleselli, vice-chairman and acting chairman; Mr Davern, rapporteur; Mr Barbagli (deputizing for Mr Ligius), Mrs Castle, Mr Dalsass, Mr Del Duca (deputizing for Mr Diana), Mr Gatto, Mr Kaloyannis, Mr Maher, Mr McCartin (deputizing for Mr Clinton), Mr Mertens, Mr Provan, Mr Stella (deputizing for Mr Bocklet), Mr Thareau and Mr Woltjer.

This report was tabled on 7 November 1983.

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

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	11

Annexes

Opinion of the Committee on Budgets	14
Opinion of the Committee on Budgetary Control	24

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

MOTION FOR A RESOLUTION

on the communication from the Commission of the European Communities to the Council on ways of increasing the effectiveness of the Community's structural funds, especially that of the EAGGF (Guidance Section).

The European Parliament,

- having regard to the communication from the Commission to the Council on ways of increasing the effectiveness of the Community's structural funds (Doc. 1-646/83 - COM(83) 501 final),
- having regard to the report of the Committee on Agriculture and the opinions of the Committee on Budgets and the Committee on Budgetary Control (Doc. 1-990/83),
- A. whereas the Community must define, on the basis of Community criteria of effectiveness and in agreement with the parties concerned (States, regions, local authorities), objectives in the Community interest to promote harmonious development of its geographical territory,
- B. whereas the Community possesses for this purpose a number of very different financial instruments (structural funds, European Investment Bank, NCI, and so forth) whose financial resources are limited,
- C. whereas it is important, irrespective of any decision relating to an increase in the Community's own resources, to increase the effectiveness of the structural funds so as to guarantee the best possible use of Community public funds and at the same time to help, as effectively as possible, to reduce the disparities between the different regions within the Community,

- D. whereas the communication from the Commission to the Council on ways of increasing the effectiveness of the Community's structural funds is an important study of active ways of strengthening Community structural policies (COM(83) 501 final),
- E. whereas, however, that communication (COM(83) 501 final) has certain shortcomings which should be rectified,

GENERAL OBSERVATIONS

1. Approves in general the analysis made by the Commission in its communication;
2. Stresses in particular that Community projects cannot be fully effective because they are subsidiary to national action and the Community does not have all the means necessary to ensure that the objectives which it has fixed are complied with or to adapt its action rapidly to changing situations;
3. Considers that these shortcomings could be rectified by:
 - (a) making Community action genuinely effective so that it provides 'value added' to national measures in pursuing objectives set by the Community;
 - (b) coordinating the funds' action within genuine integrated development programmes avoiding duplication and lack of cohesion, with the aim of increasing the effectiveness of the financial instruments employed by making them complementary;
 - (c) exercising greater control over the complementary nature of the measures;
4. Considers that the structural funds should fulfil Community objectives, that of reducing regional disparities within the Community taking priority, but that those funds should not, however, become mechanisms for financial redistribution between the Member States of the Community in support of the theory of 'fair return';

5. In this context notes that, with the greater emphasis being placed by the Regional and Social Funds on industrial and urban areas there is an even greater need to make the best possible use of resources available to the rural areas;
6. Notes, furthermore, the tendency for guarantee expenditure to favour the richer, more productive areas at the centre of the Community. Believes, therefore, that the integrated approach is of particular importance to the peripheral areas of the Community which suffer particularly severe structural problems;

OBSERVATIONS ON THE EAGGF - GUIDANCE SECTION

7. Considers that the EAGGF Guidance Section has, as a financial instrument, played a very useful part in the development of European agriculture and that any defects which may be revealed in the agricultural structures policy are due above all to a lack of coordination in its objectives;
8. Approves in this connection the priority tasks proposed by the Commission in its communication for future agricultural structures policy, which are the following:
 - (a) 'the promotion of modernization and conversion projects in farming;
 - (b) the processing and marketing of agricultural products;
 - (c) the preservation and improved use of non-productive rural areas (e.g. expansion of forestry);
 - (d) an improvement in agricultural income in the less-favoured regions';
9. Takes the view that EAGGF intervention to promote these tasks must above all be dovetailed into the framework of integrated development programmes in coordination with the other Community structural funds and financial instruments;
10. Defines these integrated development programmes as programmes applicable to a region or group of regions in the Community bringing together within a single framework all measures eligible for the three funds to implement in the regions concerned including projects coming under the EAGGF Guidance Section at present being carried out under horizontal regulations;

11. Considers, however, that, alongside this principally regional approach which it recommends for future Community agricultural structures policy horizontal regulations are necessary to deal:
 - (a) either with specific problems such as the financing of family farms or the establishment of young farmers, where account must be taken of the difficulty of adapting national legislation in view of established tradition;
 - (b) or with very special problems such as those relating to forestry, on the one hand, or to fisheries and aquaculture on the other;
 - (c) or with any other problems the solution to which is not necessarily to be found within the framework of integrated development programmes;
12. Considers that once Community objectives have been clearly defined in respect of a given geographical area the problem of coordinating the funds will become less acute;
13. Observes, however, that the increased effectiveness to be expected as the result of the definition of Community objectives, the implementation of integrated development programmes and the coordination of the funds should not prevent the strengthening of Community financial resources, in particular those of the EAGGF Guidance Section;
14. Notes, as regards the latter fund, that Community agricultural structures projects, which are based on co-financing by the Community and the Member States, are too often inadequately implemented in the less prosperous Member States (Greece, Ireland, Italy) due to insufficient national financial resources;
15. Requests, therefore, that the Community financial contribution should be appropriately adjusted so as to take better account of the relative wealth of each Member State so that Community measures are applied throughout the Community;
16. Recalls that, under Regulation No. 25 of 1962, the proportion allocated to the Guidance Section should represent one-quarter of the EAGGF's total appropriations;

Takes the view that this objective should be gradually achieved by:

- (a) improved balance between structural expenditure;
- (b) the transfer of certain national measures of a structural nature to the Community;
- (c) strengthening of the appropriations allotted to the EAGGF Guidance Section, this being all the more necessary and inevitable when Spain and Portugal join the Community in the near future;

17. Points out that the Commission has envisaged doubling the appropriations to the Community structural funds in 5 years, which is insufficient for the EAGGF Guidance Section if greater balance is to be achieved between market policy and structural policy;

OTHER OBSERVATIONS

18. Emphasizes that an increase in the financial resources of the funds will not guarantee the success of Community action unless those concerned (Member States, regions, local authorities) support Community action, which presupposes a continuing dialogue between the Community authorities and those concerned with both drawing-up and implementing the programme;
19. Requests that the Member States should give the Community the right and the means actually to allow Community interests to prevail in effect once common objectives have been fixed;
20. Requests in addition that the Member States, once they have defined common objectives, should show genuine financial solidarity, banishing all ideas of 'fair return', and that they should assess the transfer of financing and the results of structural policies in the light of Community objectives and not on the basis of national interests;
21. Cannot stress strongly enough the importance of the fisheries sector in maintaining viable Communities particularly in peripheral maritime regions;
22. Requests that a European Guidance and Guarantee Fund be set up in the fisheries and marine sector and aquaculture sector, as provided for in Article 40(4) of the EEC Treaty administered specifically by the Directorate-General responsible for fisheries thereby concentrating all decisions for this important sector within the one Directorate-General, so as to take into account the following:

- (a) the introduction as from 25 January 1983 of a new common policy in this sector;
- (b) the special nature of the common fisheries policy vis-à-vis the common agricultural policy;
- (c) administrative problems, the result of which is that Community action in favour of coastal regions would be much more effective if there were a special fund for this sector, provided that this fund's activities are coordinated with those of the other three funds;

23. Instructs its President to forward this resolution to the Commission and the Council of the European Communities and to the Athens European Council.

EXPLANATORY STATEMENT

1. On 28 July 1983 the Commission adopted two communications which are extremely important for the Community's future;

- one on new proposals for the common agricultural policy (COM(83) 500 final),
- the other on ways of increasing the effectiveness of the Community's structural funds (COM(83) 501 final).

2. The latter communication is the subject matter of this report as the Committee on Agriculture will pay particular attention to the situation of the EAGGF Guidance Section in the proposals made by the Commission.

3. It should be recalled before considering this document that the Committee on Agriculture has been entrusted at the same time with the task of drawing up a series of reports on agricultural structure policy:

- Mr Thareau's report on guidelines for future agricultural structure policy (Doc. 1-923/83);
- Mr Provan's report on mountain and hill-farming in less-favoured areas (PE 86.040);
- Mr Bocklet's report on the amendment of the 1972 socio-structural directives;
- Mr Vitale's report on Regulation (EEC) No. 355/77 (PE 84.164);
- Mrs Martin's report on the establishment of young farmers (Doc. 1-922/83).

4. The Commission's document contains many positive features. At the same time some deficiencies can be pointed out which should be examined.

5. The approach adopted by the Commission in its communication is realist in that it has not attempted to create a 'super-fund' for structures. It has, on the contrary, sought to make the funds more effective by making their activities more complementary and more convergent.

6. On the other hand, the Commission has not made a clear distinction between the Funds, which are financial instruments, and the actual measures which it is their task to finance. The result of this confusion is to hinder an overall approach to the problem of structures (both agricultural and other structures) by means of regional development programmes in the nature of genuine integrated programmes.

7. In fact, to return to the agricultural sector, it must be pointed out that the existing integrated development programmes (Lozère, South-East Belgium and the Western Isles of Scotland) and the future Mediterranean programmes are superimposed on horizontal measures such as the 1972 socio-structural directives modified by Directive No. 75/268/EEC, not to mention the many regional measures contained in particular in the Mediterranean package.

8. The result of all this is that the integrated development programmes proposed by the Commission are not genuine integrated development programmes, which is regrettable as regards agricultural structure policy and certainly also as regards regional policy. We must therefore pay special attention to ensuring that projects carried out in the context of each of the Funds are complementary.

9. The first step which the Community should take is to fix, in agreement with all those concerned (Member States, regions, local authorities) and with their support, objectives in the Community interest defined on the basis of criteria for Community objectives so as to make the 'jungle' of structural measures at present implemented by the Community coherent and clear. Once these objectives have been defined and genuine integrated development programmes have been drawn up, the coordination of funds, which are financial instruments, will occur of its own accord.

10. It goes without saying that integrated development programmes should not be the only structural policy instrument, particularly in the agricultural sector, and that horizontal regulations may prove necessary in order to obtain Community objectives. Examples of this are the financing of family farms, the establishment of young farmers, forestry, fisheries and aquaculture, etc.

11. In this respect the creation of a European Guidance and Guarantee Fund in the fisheries and marine sector should be proposed, as adopted by the Committee on Agriculture in connection with its amendments to the 1984 draft budget. The activities of this new Fund will also cover aquaculture.

It may seem paradoxical to propose the creation of a new fund when the coordination of the existing fund is difficult but this is justified in so far as the common fisheries policy established on 25 January 1983 must not remain the poor relation of the common agricultural policy. The Fund should be administered by the Commission's DG XIV which is responsible for fisheries.

As has been said above, coordination will take place via objectives in the Community interest implemented by integrated development programmes or the horizontal regulation on fisheries and agriculture.

12. When objectives have been defined the Commission must make Community interests prevail so that the application of Community measures by the Member States does not run counter to these objectives.

13. Finally, the Committee on Agriculture requests that the Community structural funds should in the first place be used to diminish regional disparities without, however, becoming financial redistribution mechanisms in aid of the theory of 'fair return'. The results of Community structural policies should not be judged on the basis of that criterion but on the basis of Community objectives.

14. Community action should not be a substitute for national action but supplement it in the pursuit of objectives of Community interest. It should, in a manner of speaking, provide 'value added' of its own to national measures.

15. The Committee on Agriculture hopes, therefore, that the Commission will be able gradually to correct the agricultural structure policy not only in the light of the observations made in this report but also in the light of those contained in the other reports, each of which examines general or specific aspects of this policy.

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 Baillot, 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⁽¹⁾, 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⁽²⁾, 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.

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"⁽¹⁾. The Commission has undertaken however in its document to attach priority, when drawing up the annual guidelines for Fund

⁽¹⁾ 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.

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.

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 JÖRGENS, 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.

