

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

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DOCUMENT 1-275/83/B

## Report

drawn up on behalf of the Committee on Budgetary Control

- I on the discharge to be granted to the Commission in respect of the implementation of the budget of the European Communities for the 1981 financial year and the report of the Court of Auditors (Doc. 1-1098/82 - OJ No. C 344, 31.12.1982)
- II on the discharge to be granted to the Commission of the European Communities in respect of the utilization of the appropriations of the fourth European Development Fund in the 1981 financial year
- III on the discharge to be granted to the Commission of the European Communities in respect of the utilization of the appropriations of the fifth European Development Fund in the 1981 financial year
- IV and embodying the comments accompanying the decisions granting a discharge in respect of the implementation of the budget of the European Communities for the 1981 financial year (Article 85 of the Financial Regulation of 21 December 1977)

### B. EXPLANATORY STATEMENT

Rapporteur: Mr Konrad SCHÖN

PE 83.306/fin. /B



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(to be published separately as PE 83.306/Ann./fin.)



B

EXPLANATORY STATEMENT

1. Pursuant to Article 85 of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, the European Parliament, upon a recommendation from the Council, is required to give a discharge to the Commission in respect of the implementation of the budget by 30 April<sup>1</sup>. The relevant general considerations are set out in detail in the last four reports on the discharge<sup>2</sup> and require no repetition. The various aspects taken into account for the 1981 discharge procedure are dealt with in detail in the twelve working documents and three opinions annexed to this report and in the annual report of the Court of Auditors.

At this point, therefore, more detailed attention will be given only to the significance of the discharge decision and to the possibilities open to Parliament of influencing the procedure.

Legal and political scope of the discharge decision

2. The granting of the discharge has the effect of establishing definitively the actual revenue and expenditure for a given financial year and enables Parliament to correct individual accounting operations and the balance. The initial consequence of the discharge is thus to establish the accounts. In addition, the granting of the discharge involves an evaluation of the lawfulness, regularity and economic and political soundness of the financial management<sup>2</sup>.
3. The discharge is therefore the logical and necessary counterpart to the powers relating to the establishment of the budget. It is only through control over revenue and expenditure and through the related political assessment in the discharge decision that the European Parliament's budgetary powers comprise, in legal and political terms, the possibility of imposing sanctions. The power to grant the discharge involves an element of continuity, in that Parliament does not lose its influence over the budget when it has been established since it has the final word as regards the political assessment of the implementation and is thus in a position to influence it.

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<sup>1</sup>On 14 April 1983, the rapporteur explained to the House why the Committee on Budgetary Control was not yet in a position to propose to Parliament that it grant a discharge

<sup>2</sup>See the pioneering reports on the discharge of the last four years: AIGNER (Doc. 1-463/79), BATTERSBY (Doc. 1-150/80), IRMER (OJ No. L 224, 10.8.81) and KEY (Doc. 1-100/82)

4. The scope of the discharge is not, of course, confined to the matters raised by the Court of Auditors in its annual report but covers the financial management as a whole for a given financial year. If this were not the case, Parliament's decision-making powers would be restricted by decisions taken by the Court of Auditors concerning the main points to be assessed in a particular year.

Criteria for the granting of the discharge

5. The criteria used for the granting of the discharge are, first and foremost, the budgetary decisions as reflected in the budget. The appropriations entered by Parliament through amendments are of particular importance in this connection. However, because of Parliament's role in the adoption of the budget, account must also be taken of the decisions and resolutions on the political priorities for the financial year adopted by Parliament in the phase leading up to the establishment of the budget. It is these decisions and resolutions which, over and above the purely statistical data contained in the budget, indicate the salient points. Additional criteria for the granting of the discharge are the comments made in the previous discharge decision, which contain not only criticisms but also recommendations indicating clearly to the Commission the way in which it should implement the budget in future in order to meet the requirements of political control. The discharge decision thus looks to the future, as is made clear in the third subparagraph of Article 85 of the Financial Regulation, which stipulates that the Institutions must give an account of the measures taken in the light of the comments made in the decision giving discharge.
6. Although the granting of the discharge may not be made subject to conditions, the discussions in the Committee on Budgetary Control in preparation for the discharge decision in respect of the financial year 1979 clearly showed that it should be admissible for the discharge to be accompanied by binding instructions. The decision on the discharge thus also has a significant influence on the achievement of political objectives.
7. Where Parliament feels that binding instructions are not sufficient, it must consider whether to have recourse to the possibility of deferring the granting of a discharge. This was the case in respect of the financial year 1980, when the discharge was deferred for specific reasons. This meant that the Commission could be obliged to fulfil Parliament's demands with regard both to the Commission's future conduct and to the clarification of certain facts.

8. During this discharge procedure, the Commission promised to cooperate more fully with Parliament in the preparatory work for the draft report on the discharge. The delay in granting the discharge thus also brought the Commission to a greater awareness of the significance of this political act and induced it to give concrete undertakings.

#### Requests to the Commission

9. As regards the details of the discharge for the 1981 financial year, in its consideration of the individual working documents, the Committee on Budgetary Control defined six areas in which the deficiencies in the implementation of the budget were so serious that separate negotiations with the Commission seemed apposite in which the latter could acknowledge its willingness to make corresponding changes in its policy. Consequently, requests are made in paragraph 5 of the decision in Part I, and the Commission has already agreed to comply with them.

The deficiencies referred to arise from the following facts:

(a) implementation of the decisions taken by Parliament during the budgetary procedure

In the implementation of the 1981 budget by the Commission, the account taken of Parliament's margin of manoeuvre was totally inadequate, since only some 74% of the payment appropriations and some 52% of the commitment appropriations adopted by Parliament through amendments were implemented. This demonstrates an undervaluation of the political will of Parliament, all the more so since for a long time now it has indicated ways of implementing the budget, even where the Council has failed to act.

(b) administration of own resources

The Commission has interpreted the relevant provisions in too restrictive a manner and in 1981 repaid to the Member States some 800 m ECU in own resources that had been saved instead of retaining this surplus in the Community budget for the promotion of structural policies.

Furthermore, the Commission failed to levy interest amounting to some 29 m ECU in accordance with Article 11 of Regulation (EEC) 2891/77 from three Member States who were late in paying their VAT own resources.

(c) irregularities and fraud

The Commission did not combat irregularities and fraud with the requisite firmness, although the interest of the taxpayer and the prestige of the Community in the eyes of the public and the operational competence of the Common Market called for much greater efforts in this field.

(d) food aid

It has emerged from reports, studies and analyses by Parliament, the Court of Auditors and external bodies engaged by the Commission that a thorough reform of the food aid policy is required. To date, the Commission has not done its utmost to plead for a reform of this nature.

(e) European Development Fund

In the light of the accounting problems described in the report of the Court of Auditors for the 1981 financial year, but also with a view to strengthening the Community character of the association policy, the budgetization of the sixth European Development Fund must be implemented.

(f) research policy

The Commission has to date been unable to implement realistic planning policies in the research sector and put its ideas into practice. This has been particularly striking in the case of the SUPER-SARA project which was abandoned shortly after the European Parliament had authorized a transfer of appropriations amounting to 16.5 m ECU.



Amounts subject to the discharge

10. The Court of Auditors informed the Committee on Budgetary Control about some possible changes in the amounts subject to the discharge. The Committee noted that in future, the Commission would take account of a number of important aspects in the proposals submitted by the Court of Auditors and therefore did not amend the amounts set out in the accounts.

11. The rapporteur was instructed by the Committee on Budgetary Control to provide more detailed explanation orally.

He would like at this point to express his gratitude to his colleagues, who, by throwing light on the problems in the sectors listed below, made a substantial contribution to the appraisal of the overall situation with regard to the implementation of the 1981 budget:

- |                     |   |
|---------------------|---|
| . Mr NOTENBOOM      | Own resources   |
| . Mr SABY           | Expenditure on Energy and research  |
| . Mr MARCK          | European Social Fund  |
| . Mr GOUTHIER       | European Regional Development Fund  |
| . Mr KEY            | Expenditure in the milk products sector   |
| . Mr WETTIG         | Use of appropriations in the EAGGF-Guarantee Section  |
| . Mr FILIPPI        | Use of appropriations in the EAGGF-Guidance Section   |
| . Mr IRMER          | Development aid and cooperation with third countries  |
| . Mr KELLETT-BOWMAN | Decentralized agencies, autonomous organizations and satellite bodies of the EC and other subsidies |
| . Mr COUSTE         | Borrowing and lending activities  |
| . Mr PRICE          | Personnel, administration and operating expenditure of the Commission.                              |

O P I N I O N

(Rule 101 of the Rules of Procedure)  
of the Committee on Agriculture

Draftsman : Mr C. DELATTE

On 19 October 1982, the Committee on Agriculture appointed Mr DELATTE draftsman.

The committee considered the draft opinion at its meetings of 16/17 February 1983 and 21/22 March 1983. At the latter meeting, it adopted the conclusions by 18 votes for with three abstentions.

The following took part in the vote: Mr Curry, chairman; Mr Früh, vice-chairman; Mr Delatte, vice-chairman and draftsman; Mr Barbagli (deputizing for Mr Bocklet), Mr Battersby, Mr Blaney, Mrs Cassanmagnago Cerretti (deputizing for Mr Diana), Mr Ghergo (deputizing for Mr Clinton), Mr Gautier, Mr Giavazzi (deputizing for Mr Ligios), Mr Goerens (deputizing for Mr Maher), Mr Helms, Mrs Herklotz, Mr Jürgens, Mrs Lizin (deputizing for Mr Thareau), Mr Maffré-Bauge, Mrs S. Martin, Mr B. Nielsen, Mr d'Ormesson, Mrs Péry (deputizing for Mr Eyraud) and Mr Provan.

I. EAGGF Guarantee Section (COM(82) 439 final)

1. In its opinion on the eleventh financial report on the EAGGF Guarantee Section, the Committee on Agriculture will confine itself to assessing policy on agricultural markets in 1981 in order to draw lessons for the future from it, and will leave to the Committee on Budgetary Control the task of examining the administrative aspects of the management of the funds involved and the question of whether they were used in accordance with the Financial Regulation.
2. 1981 was marked by a number of events which affected the common agricultural policy and, consequently, had financial implications.
  - (a) Firstly, Greece became a Member of the Community on 1 January 1981, and the provisions of the CAP began to be applied to that country;
  - (b) when the Council set the level of agricultural prices, it was decided to raise them by 9.4% in ECU. This decision resulted in additional expenditure of 350 m ECU; hence the price increases had only a limited effect on the budget;
  - (c) the milk co-responsibility levy rose from 2 to 2.5% from 1 May 1981;
  - (d) on 1 July 1981, a new common organization of the market entered into force for sugar and isoglucose;
  - (e) the Council adopted Regulation (EEC) No.1188/81 implementing Protocol No. 19 of the Act of Accession of 1972, which allowed export refunds to be paid in respect of spirituous beverages obtained from cereals, such as whisky. This measure cost 41.1 m ECU in 1981;
  - (f) to implement Protocol No. 4 of the Act of Accession of 1979, the Council adopted Regulation (EEC) No. 2169/81 establishing general rules for aid in respect of cotton, of which Greece is the main producer;
  - (g) the Act of Accession of 1979 also provided for the addition of dried figs and dried grapes to the products covered by the common organization of the market in processed fruit and vegetables.
3. Expenditure under the EAGGF, Guarantee Section, amounted to 10,980.2 m ECU in 1981, taking account of 'accession' and monetary compensatory amounts, food aid refunds, expenditure resulting from commercial operations undertaken by the Community, and expenditure arising from decisions taken in the context of European political cooperation, such as aid to Afghan refugees and food aid for Poland, a reduction of 3% as compared with 1980 (-334.7 m ECU).

Of this sum, export refunds account for 5,208.6 m ECU, or 46.8% of the total, and intervention spending for 5,932.6m ECU, or 53.2% of the total.

4. The sum involved, although considerable, represents only 0.42% of the Community's GDP, a small price to pay for the Community's independent food policy. Moreover, it should not be overlooked that the common agricultural policy generates income, since it brought in revenue of 1,747.4 m ECU to the Community budget in 1981. This revenue is broken down as follows:

Agricultural levies:	1,264.9 m ECU
Sugar levies:	482.5 m ECU

5. Since the Guarantee Section of the 11th financial report on the EAGGF is thoroughly annotated, there is no need to dwell at length on developments in every sector except to emphasize the difficulties involved in making forecasts for agriculture, since original appropriations stood at 12,897.5 m ECU whereas actual expenditure only reached 10,980.2 m ECU, a shortfall of 14.9%. Table I on page 8 of the Commission's report provides interesting data on this subject, sector by sector.

Financial forecasting in the agricultural sphere is complicated, firstly because the eventual yield of the harvest is unknown at the time that the preliminary draft budget is drawn up, secondly by the possibility of fluctuating rates of exchange affecting the currencies of the Member States or the value of the dollar, and finally by the unpredictability of world commodity prices.

6. To illustrate this problem, let us take the case of a single sector, milk, which accounted for 30.4% of Guarantee Section expenditure in 1981. Original appropriations in this sector were 4,313 m ECU and actual expenditure was 3,342.7 m ECU, a saving of 22.5%. It should be noted that expenditure in 1980 amounted to 4,752 m ECU, or 42% of all expenditure on market support measures.

This drop in expenditure is due to a slackening off in the rate of increase in output combined with a rise in the consumption of fresh dairy products on the internal market and the favourable situation of the world market which enabled larger quantities to be exported at lower refund rates. In the case of butter, for example, the refund rate fell from 125 to 105 ECU per 100 kg between the beginning and the end of 1981.

7. The situation with regard to surplus stocks improved, on the whole, in 1981.

Cereal stocks stood at a lower level at the end of 1981 than 12 months previously (4,468,000 tonnes compared with 6,686,000 tonnes), due to an active export policy.

Although stocks of skimmed milk rose (from 231,000 tonnes at the beginning of the year to 298,000 tonnes at the end), butter stocks, by

contrast, declined spectacularly (from 147,289 to 13,804 tonnes), and in fact at one point it was feared that there would be a Community butter shortage.

Stocks of beef and veal carcasses fell from 208,537 tonnes to 145,965 tonnes, and stocks of boned beef and veal fell from 105,267 to 64,281 tonnes.

The olive oil situation was considerably less favourable, however, with stocks rising from 73,808 to 140,150 tonnes.

8. The sugar sector deserves special mention because it finances itself, the costs involved tending to be cancelled out in the long term. Storage costs are, in fact, borne by the producers. The cost of exporting a quantity of sugar equivalent to the 1.3 million tonnes of preferential sugar imported from ACP countries is borne by the Community budget, however. Annex 10 to the Commission's report provides the relevant statistical data.

9. If the expenditure of each Member State on the CAP is broken down, the following results are obtained:

EAGGF, Guarantee Section, expenditure per person employed in agriculture<sup>1</sup>

Netherlands:	5,096.1 ECU	Germany:	1,346.5 ECU
Belgium:	4,439.2 ECU	Italy:	720.3 ECU
Denmark:	2,450.9 ECU	Luxembourg:	380.9 ECU
Ireland:	2,002.7 ECU	Greece:	157.5 ECU
United Kingdom:	1,706.2 ECU		
France:	1,674.2 ECU	EEC:	1,151.5 ECU

Relation between support for agricultural markets and final value of agricultural output by Member States :

Ireland:	17.6%	Italy:	9.7%
Netherlands:	13.4%	Germany:	9.5%
Denmark:	13.0%	United Kingdom:	8.8%
Belgium:	12.7%	Luxembourg:	3.3%
France:	10.6%	EEC:	10.5%

Whatever method of calculation is used, the same Member States always head the list: the Netherlands, Belgium, Denmark and Ireland. This is due to the role of milk production and beef and veal production in the agricultural economy of these countries. Milk accounts for 27.9% of the value of total agricultural production in the Netherlands, 17.3% in Belgium, 25.3% in Denmark and 32.1% in Ireland. For beef and veal the figures are 12.1%, 18.8%, 12.2% and 35.7% respectively. Apart from Ireland, it is clearly the countries whose farmers use the largest quantities of imported substitutes (soya and manioc) which benefit most from the market support mechanisms. Given this situation the consequences for the Community budget of removing or reducing customs duties or levies on such imports merit careful consideration.

10. The different levels of spending per person employed in agriculture recorded for the Guarantee Section ought to be balanced out by expenditure under the Guidance Section. But in fact this does not seem to be the case, as the following table shows:

<sup>1</sup> These figures represent the expenditure in accounting terms in the Member States' concerned and not the real level of farmers' earnings.

CAP expenditure per person employed in agriculture (ECU per farmer)

EAGGF	B	DK	D	GR	F	IRL	I	L	NL	UK	EEC
Guarantee	4,439.2	2,450.9	1,346.5	157.5	1,674.2	2,002.7	720.3	380.9	5,096.1	1,706.2	1,151.5
Guidance	196.4	100.0	88.5	- <sup>1</sup>	64.8	274.1	28.9	213.3	94.7	176.4	66.3
TOTAL	4,635.6	2,550.9	1,435.0	157.5	1,739.0	2,276.8	749.2	594.2	5,190.8	1,882.6	1,217.8

<sup>1</sup> No payments were made in respect of Greece in 1981

Although the figures for the Guidance Section should be treated with caution, since they are based on the payments situation of one year only, there is nothing in the detailed information supplied by the Commission to suggest that this is not the case

This demonstrates the defective reasoning behind the Community's structural measures. With the exception of Ireland, where high expenditure is justified, it appears that countries such as Italy are at a disadvantage under the present system. Greece will probably share the same fate, although it is still too soon to reach a definitive verdict, as Greek agriculture is still undergoing a transitional period, Greece only having been a Member of the Community since 1 January 1981. (By way of illustration, it could be pointed out that expenditure from the EAGGF Guarantee Section to Greece increased in 1982 to 685 m ECU as against 146 m ECU in 1981).

11. With regard to irregularities and frauds arising in the EAGGF Guarantee Section, it should be pointed out that these are few in number (150 cases in thousands of actions) and involve relatively small amounts of money (15.39 m ECU or 0.14% of total expenditure on market support). Nevertheless, cases of irregularity and fraud were more numerous than in previous years and call for increased vigilance on the part of everyone responsible for ensuring that Community legislation is enforced.

12. The majority of irregularities and frauds occur in the dairy sector. Thirty-three cases, for example, concerned aid to liquid skimmed milk and skimmed-milk powder for animal feed; the sum involved was 3.9 m ECU.

Other cases - not included among the 150 irregularities mentioned above - concern the milk non-marketing premium and involve 0.72 m ECU. The Commission has listed these cases separately, considering that some of them are not necessarily fraudulent.

13. Between 1971 and 1981, refunds accounted for 48.53% of cases of irregularity, intervention spending for 34.63% and MCAs for 16.84%. In 1981, these figures were respectively: 54.88%, 36.87% and 8.25%.

The complexity of agricultural legislation is one cause of fraud, since it enables unscrupulous but well-informed individuals to obtain undue payments from the EAGGF. It is necessary, therefore, to familiarize national inspectors with Community legislation.

14. As in previous years, the Commission has sought to achieve this objective by attempting to improve the national inspectors' knowledge of the EAGGF sector by :

- organizing a seminar on rulings of the Court of Justice of the Communities, and
- providing assistance to two seminars for fraud control staff in the wine sector in France and Germany respectively.

It would doubtless be useful to make a comparable effort in the areas most prone to irregularities, the milk and cereals sectors. Above all, the people responsible for checking movement of agricultural produce at the internal or external frontiers of the Community - i.e. customs officials - should be made aware of these issues, particularly since such exchanges give rise to the payment or levying of MCAs and the granting of refunds.

15. The Commission has also carried out specific investigations into doubtful operations or presumed irregularities. There were 13 investigations in 1981 (6 in regard to beef and veal, the 7 others concerning sheepmeat, milk products, cereals, oils and fats, and fisheries ).

16. The Commission also carried out 'selective checks'. In 1981, for example, a selective check was carried out in the fruit and vegetables sector to study the implementation, by all the Member States, of specific measures concerning withdrawal from the market and processing aids. A report was sent to the Commission in March 1982, and the Commission is to study the lessons to be drawn from this check with regard to Community legislation.

17. Further, the Commission has endeavoured to help the Member States to implement Council Directive No. 77/435/EEC on the audit of commercial documents by issuing working documents and organizing meetings of experts. Clearly, careful monitoring of commercial documents enables fraudulent operations to be detected.

18. The Commission has also promoted cooperation between its staff and the Member States by :

- (a) prompt exchange of information,
- (b) meetings of the EAGGF Irregularities Group,
- (c) mutual assistance for the proper implementation of customs and agricultural regulations.

The number of notifications by the Member States under the prompt exchange of information system rose from 7 in 1980 to 16 in 1981. It is fortunate that the Member States are resorting more frequently to this

system, for improved information makes it possible to detect irregularities which might affect several Member States.

The meetings of the EAGGF Irregularities Group have been useful, and have led to an appreciable reduction in the smuggling of farm products between the United Kingdom and Ireland made attractive by differing MCA levels.

Mutual assistance to ensure the proper implementation of the customs and agricultural regulations, as provided for in Council Regulation (EEC) No. 1468/81, took the form of joint meetings between the relevant administrative departments of the Member States and the Commission, and led to a considerable amount of information being exchanged, especially with regard to trade in merchandise.

19. The eleventh financial report on the EAGGF also includes a chapter on the financing of food aid, but this falls within the purview of the Committee on Development and Cooperation. We shall not, therefore, consider the matter further.

20. On the basis of this study, therefore, the Committee on Agriculture submits to the Committee for Budgetary Control the following conclusions :

The Committee on Agriculture,

- (a) Considers that the eleventh financial report on the EAGGF, Guarantee Section, provides useful information on the financial situation of the EAGGF in 1981;
- (b) Appreciates the difficulty of making forecasts in the agricultural sphere, given the considerable lapse of time between the drawing up of estimates of expenditure and the implementation of the budget; urges the Commission, nevertheless, to persevere in its efforts to produce more accurate forecasts;
- (c) Points out that the financial measures taken by the Community in the context of the common agricultural policy tend to benefit typically 'northern' farm products (such as milk and beef and veal) rather than 'Mediterranean' products;
- (d) Emphasizes, also, that measures taken under the EAGGF, Guidance Section, have not remedied this situation, and that the structural measures taken in the less-favoured regions of the Community are still far from adequate;
- (e) Acknowledges the Commission's efforts to combat irregularities in the EAGGF Guarantee Section;



(f) Is concerned by the increasing number of irregularities compared with recent years, but emphasizes also that this number is very small in comparison with the total number of operations carried out under the Guarantee Section and does not involve very large sums (0.4% of Guarantee Section appropriations);

(g) Urges the Member States to continue cooperating with the services of the Commission to combat more effectively cases of irregularity arising in connection with agricultural markets support policy.

## II. EAGGF- Guidance Section (COM(82) 446 final)

21. The measures to improve agricultural structures financed by the EAGGF, Guidance Section, are the essential counterpart of the Community's policy on agricultural markets and are intended to increase farmers' incomes by improving production structures. The aim of the Community's policy on agricultural structures is to make its agriculture more efficient, while helping to reduce regional imbalances within the EEC by means of integrated development programmes which also rely on other financial instruments (through the Regional Development Fund, the Social Fund, EIB loans, etc.).

22. The financial resources at the disposal of the EAGGF, Guidance Section, are relatively modest (580.5 m ECU paid in 1981, compared to 10,980.2 m ECU<sup>1</sup> for the EAGGF, Guarantee Section), but it must be remembered that the Community bears the whole burden of the agricultural markets policy, whereas it is only partly responsible for structural policy. Depending on the nature of the operation, the Community share of the costs varies from 23 to 50%, while the remainder is borne by the Member State concerned and the beneficiary.

23. This procedure leads to discrepancies between the declared aims of the Community and the results achieved on the ground. Applications submitted by those principally concerned are filtered by the national government departments before reaching the Commission staff responsible for selecting projects.

Since every Member State has its own agricultural policy, it will consequently seek to have this policy financed from Community funds. Another consequence is that despite the Community criteria applied for granting aid, every Member State has considerable freedom to discriminate in favour of one category of farmers or another.

For this reason, there may be discrepancies between the agricultural policy formulated by the Community and that which is actually implemented.

24. To remedy this state of affairs, the Community ought to establish closer contacts with farmers. As a first stage, those zones which are eligible for Community aid could be precisely defined. In this respect, the increasing emphasis being placed on a regional approach to policy on agricultural structures is a step in the right direction, since this approach enables account to be taken of the specific needs of the least prosperous regions of the Community. For it makes no sense for structural measures to be applied centrally to an area as vast as that covered by the Community. If the aim is to preserve the cohesion of the Community, decentralized methods must be applied, and a region-by-region approach appears to be the most suitable in the circumstances.

<sup>1</sup> Gross figure including certain expenditure charged to the common agricultural policy although in fact deriving from other policies

25. The problem of bringing farmers into closer contact with the Community authorities is more delicate, since national government departments might regard this as an intrusion into their domain, quite apart from the fact that the staff of the EAGGF, Guidance Section, would be overwhelmed by the resulting tens of thousands of applications. The decentralized procedure applied at present is not bad in itself, but it ought to be possible for the Commission to examine more closely the compatibility of national agricultural policies with the common agricultural policy.

In particular, Community funds ought to be granted to those farmers who need them most, regardless of their ability to present well-documented applications, and any grant of funds ought genuinely to further the objectives of Community policy.

26. There is reason to fear that at present, although the same criteria are supposed to apply throughout the Community, in the case of horizontal measures (e.g. the socio-structural directives), a farmer in one Member State will receive Community aid (because that State admitted his application, forwarded it to Brussels, and is therefore committed to providing a financial contribution), whereas a farmer in an identical situation in another Member State will be disqualified from receiving Community aid because the national administrative authorities rejected his application for reasons connected with that country's national agricultural policy.

A procedure must be established, therefore, to allow the Commission to ensure that the common agricultural policy is applied consistently.

27. The EAGGF, Guidance Section, finances measures in two different ways. The majority of measures are funded on the principle of reimbursing part of eligible expenditure made by Member States (indirect action). Other measures are funded by granting direct subsidies for projects which are in line with the objectives of the relevant common measures (direct action).

28. Direct measures include<sup>1</sup>:

- a common measure to improve the structures for processing and marketing agricultural products (Council Regulation (EEC) No. 355/77),
- measures in favour of certain Mediterranean areas (Council Regulations (EEC) Nos. 1362/78, 1760/78 and 269/79),

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<sup>1</sup> A complete list of these measures is set out on page VII of COM (82) 446 final

- a common measure to improve the processing and marketing conditions in the cattlefeed sector in Northern Ireland (Council Regulation (EEC) No. 1943/81),
- an interim common measure for restructuring the inshore fishing industry (Council Regulation (EEC) No. 1852/78),
- measures taken as a result of the earthquake which struck the Friuli/Venezia Giulia region (Council Regulation (EEC) No. 1505/76),
- measures taken to help the French overseas departments damaged by hurricanes 'David' and 'Frederic' (Council Regulation (EEC) No. 2395/79).

29. Indirect measures include<sup>1</sup> :

- the socio-structural directives (Council Directives 72/159/EEC, 72/160/EEC and 72/161/EEC),
- measures for less-favoured regions : mountain and hill farming and farming in certain less-favoured areas (Council Directive 75/268/EEC), restructuring and conversion of vineyards (Council Directive 78/627/EEC), conversion of areas under vines in the Charentes (Council Directive 79/359/EEC), irrigation works in Corsica (Council Directive 79/173/EEC) and drainage in Ireland (Council Directive 78/628/EEC),
- structural measures in connection with the common organization of markets.

30. In its report, the Commission emphasizes that one of the main problems of the Guidance Section was the sometimes quite low rate of utilization of the appropriations made available. Although this situation improved in 1980, the rate of utilization declined again in 1981 because the deadline for submitting applications in respect of the interim fisheries measure was postponed, and because applications for aid in connection with the measure for restructuring vineyards provided for by Regulation (EEC) No. 457/80 were forwarded late. In 1980, the percentage of commitment appropriations utilized was 92%, and that of payment appropriations was 90%. In 1981, the corresponding figures were 85.3% and 84%.

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<sup>1</sup> A complete list of these measures is set out pages IV and VI of COM(82) 446 final

31. The cases of irregularity occurring in the EAGGF, Guidance Section, are not very numerous in comparison with the number of files considered. A total of 509 cases have been recorded since the Fund was set up, of which 429 have been settled. These 509 cases involved a sum of 2.1 m ECU, i.e. 0.04% of the appropriations granted up to 1981.

In order to combat fraud, the Commission more than doubled the number of on-the-spot inspections in the course of one year, increasing these from 17 in 1979 to 36 in 1981. In 1981, the Commission concentrated its efforts on seminars, since it had become aware of certain deficiencies in the handling by the competent authorities of the Member States of measures enabling advance payments to be made. As these problems were more acute for certain direct measures, on-the-spot inspections in respect of these measures were cut back in 1981 to enable seminars to be stepped up so that the officials in the Member States could be better informed as to the procedures to be followed.

32. Thus, verifications in respect of direct measures revealed that in 340 cases the data supplied were not sufficient to justify the payments requested and that additional information was needed. These provisional rejections covered in total 20% of payment applications, 35% for Italy, 28% for France, 20% for Ireland and the United Kingdom, 16% for Denmark, 6% for Germany and the Netherlands and 3% for Belgium.

This example shows how important it is to familiarize national officials with Community procedures.

33. Apart from these very useful items of information, the eleventh financial report of the Commission on agricultural structures does not really enable the reader to make a rapid assessment of the policy pursued up to now with regard to agricultural structures. The report ought to show over a period of years each Member State's share of the funds granted annually by the EAGGF, Guidance Section, so that the reader could see whether Community aid is being allocated first and foremost to the countries most in need. The report also ought to contain data showing, for each Member State, EAGGF, Guidance Section, expenditure per person employed in agriculture, per hectare of cultivable land, and by product.

34. Thus, the 4,667.4 m ECU granted since the Fund was set up can be broken down as follows :

Italy	29.76%
Germany	20.75%
France	19.97%
United Kingdom	11.48%
Ireland	5.59%
Netherlands	4.93%
Belgium	4.17%
Denmark	2.59%
Luxembourg	0.46%
Greece	0.37%
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EEC	100.0

35. This table shows that Italy was the chief beneficiary of the EAGGF Guidance Section, followed by Germany. The number of farmers varies greatly from one country to another. For this reason, and to enable a comparison to be drawn, it would be appropriate to establish a ratio between the assistance granted from the Fund since its creation and the number of people employed in agriculture. To take account of the different dates of accession to the Community, individual countries are compared in accordance with their period of membership:

Luxembourg:	2,382.0 ECU/person	Ireland:	1,170.9 ECU/person
Belgium:	1,786.2 " "	United Kingdom:	827.9 " "
Netherlands:	931.9 " "	Denmark:	595.9 " "
Germany:	647.9 " "	EUR 9:	620.6 " "
France:	517.8 " "		
Italy:	503.4 " "	Greece:	17.0 " "
EUR 6:	582.0 " "	EUR 10:	548.5 " "

The figure for Greece can scarcely be considered significant since this country joined the Community on 1 January 1981. On the other hand, comparison within the Community of Six, or even of Nine, shows that the northern countries have derived greater benefit from structural policy than countries like Italy or France, where many regions suffering from natural disadvantages have income levels well below the Community average.

It is interesting to note that the 'new Member States' which joined in 1973 have easily caught up with the founder Member States of the Community with regard to the funds earmarked for the improvement of their agricultural structures.

36. The totals given in the previous paragraph are thus misleading. While the total funds provided for Italy may be the largest, their impact must be assessed in relation to the number of farmers in the country. Therefore, statements on total amounts received, for example 'Italy received 30% of EAGGF funds' should be treated with caution since they disguise the underlying fact that Community financing is insufficient to enable Italy to catch up with the northern Member States.

It should also be noted that the EAGGF, Guidance Section, represents only 5% of expenditure on agricultural market support measures.

37. A 'Marshall Plan' for the Mediterranean regions of the Community has been proposed on a number of occasions. The idea is worth considering but requires adequate resources. While financial solidarity between the Community Member States implies a transfer of resources from the richer to the poorer regions, a larger budget is essential to meet the needs of an efficient Mediterranean programme.

38. In its next financial report on the EAGGF, it would be interesting if the Commission would indicate, for each Member State, the number of projects financed in respect of mountain and hill farming and farming in less-favoured areas to enable a comparison to be made with the total number of projects financed in each Member State. By way of illustration, in 1981, 35.15% of appropriations was allocated to less-favoured regions, 34.15% to structural measures related to the common organization of markets, and 30.7% to socio-structural measures of a general nature.

39. The problems of agriculture cannot be tackled without reference to the wider economic context, however, and efforts to improve agricultural structures must be accompanied by the development of infrastructures (roads, drainage, irrigation, telephone links, etc.) and of light industry so that the rural regions of the Community may be fully integrated into their respective national economies. Integrated development programmes with this objective

in view are, therefore, to be encouraged.

40. Turning to the sectoral programmes financed under Regulation (EEC) No. 355/77 (Annex 15), we see that of the 7,025 projects, 1,363 involve the milk sector, 1,159 the fruit and vegetables sector, 919 the meat sector and 827 wine, to mention only the most important sectors. The Commission has indicated that in the dairy sector, it is not a question of increasing capacity but of modernizing plant or investing in products which are not subject to marketing problems, such as fresh produce.

41. The Committee on Agriculture, having examined the eleventh financial report of the EAGGF, Guidance Section, submits the following conclusions to the Committee on Budgetary Control:

The Committee on Agriculture,

(a) Regrets the deficiencies of the eleventh financial report on the EAGGF, Guidance Section, which does not enable the reader to see at a glance the financial measures taken by the Community in support of its less-favoured regions (i.e. the whole range of financial measures, not just specific measures to help less-favoured areas);

(b) Hopes that this point will be noted and that the next report will illustrate the changing emphasis within the Community's policy on agricultural structures over the years since the EAGGF was set up, and the replacement of measures of a horizontal nature by a regional approach;

(c) Requests the Commission - as a more general point - to check that national agricultural policies are compatible with the objectives proclaimed at Community level with a view to ensuring that in the allocation of EAGGF aid, no farmers in the various Member States are discriminated against, by the national government departments responsible for selecting the projects to be forwarded to the relevant Commission departments;

(d) Calls, therefore, on the Commission to exercise all the powers granted to it under the EEC Treaty to control national aids so that they may strengthen the common agricultural policy;

(e) Calls for policy on agricultural structures to be implemented increasingly by means of integrated development operations;

(f) Calls on the Commission, finally, to persevere in its efforts to eradicate irregularities from the EAGGF, Guidance Section.



AID PAYMENTS FROM THE FUND BY MEMBER STATE, UP TO 31 DECEMBER 1981

(in m UA/EJA/ECU)

	B	DK	D	F	IRL	I	L	NL	UK	EEC
Direct measures	121.4	47.9	506.4	346.9	45.4	340.6	6.9	128.8	109.3	1,653.8
Indirect measures	39.6	55.1	372.0	325.4	130.4	243.2	11.9	61.2	340.2	1,579.1
TOTAL	161.0	130.0	878.4	672.3	175.8	583.8	18.8	190.0	449.5	3,232.9

AID GRANTED FROM THE FUND, BY MEMBER STATE, UP TO 31 DECEMBER 1981

(in m UA/EJA/ECU)

	B	DK	D	F	IRL	I	L	NL	UK	GR	EEC
Direct measures	155.1	63.5	587.0	600.7	127.2	1,145.9	9.3	169.6	193.4	17.3	3,069.4
Indirect measures	39.6	57.2	381.2	331.5	130.4	243.2	11.9	60.6	342.3	-	1,598.0
TOTAL	194.7	120.7	968.3	932	257.6	1,389.1	21.2	230.2	535.7	17.3	4,667.4

AID PAYMENTS FROM THE FUND IN 1981

(in m ECU)

	B	DK	D	F	GR	IRL	I	L	NL	UK	EEC
Direct measures	11.9	6.5	52.0	45.6	-	10.4	50.9	0.04	7.1	17.2	202.5
Indirect measures	10.1	14.3	82.4	75.7	-	49.9	33.7	2.2	14.1	95.2	378.0
TOTAL	22.0	20.8	134.4	121.3	-	60.3	84.6	2.24	21.8	112.4	580.5

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Energy and Research

Draftsman: Mr ADAM

On 25 February 1983, the Committee on Energy and Research appointed Mr ADAM draftsman.

The Committee considered the draft opinion at its meeting of 16 March 1983. It adopted the draft opinion on 16 March 1983 unanimously.

The following took part in the vote: Mrs WALZ, chairman; Mr ADAM, draftsman; Mr GHERGO, Mr MORELAND, Mr NORMANTON, Mr PETERSEN, Mr PROTOPAPDAKIS, Mr PURVIS, Mr SÄLZER and Mr VERONESI.

## I. with regard to energy

1. The committee notes that the rate of utilization of the funds in this sector was below 50% in commitments and 58% in payments. These figures give no satisfaction except that the utilization of payments was twice that recorded in 1980 and 1979.

2. The committee, with the support of Parliament, continues to attach a high priority to this sector and cannot accept the circumstances which cause a low rate of utilization of these funds. Not only does this reflect on the political will of the Community but it limits the important impact that energy expenditure can have in reducing unemployment.

3. The main problem lies in the field of demonstration projects, and the committee condemns the fixing of financial ceilings by the Council and the selection of projects by the Council which were two of the three principal causes of delay. The tendering system employed by the Commission was the third.

4. The committee notes that an open tendering system is now operated by the Commission.

5. The committee expresses its continued deep concern at the prospects for improving utilization because of the Council's continued insistence (despite the agreement of 30 June 1982) on financial ceilings and its reluctance to adopt the new regulations. The implications of this for the implementation of the 1983 budget are serious. It must be concluded that the situation created by the Council means that no real improvement in the annual utilization rate can be expected before 1984.

6. Nevertheless, the committee would not accept that these failures by the Council should be allowed to hold back progress, and the committee has no intention of down-grading the priority it attaches to demonstration projects.

## II. with regard to research

7. In the 1981 audit, the Court of Auditors has concentrated on indirect action and shared-cost contracts. The Court found that budgetary management

procedures needed review and improvement, that the legal base relating to uncompleted contracts when programmes expire was not sufficiently defined, and it exposed weaknesses in the management procedures.

8. This is reflected in the difficulty that the committee has had in expressing a clear Community research policy - a matter of deep concern in that the Community as a whole continues to lag behind the achievement in the USA and Japan.

9. The committee is confident that the changes which have taken place since 1981, and in particular the preparation of the framework programme, will resolve these difficulties and lead to a clear expression of Community research policy as well as allowing an easier assessment of priorities. In this regard, the committee wants to see all the related items, whether direct, indirect or concerted, brought together in the budget.

10. The committee expects that the revision of the Financial Regulation will ensure better management, but not to the extent of removing the flexibility which is an essential feature of research programmes.

11. The committee is, however, deeply concerned about the extremely low rate of utilization of funds shown under point 8.14 of the Court of Auditors' report.

The scientific value of a research programme is seriously undermined, given the fast development in today's research, by the two-year period between the adoption of a programme and the arrival of funds at the contractors.

The committee considers the slow and complicated consultative system is the main hindrance and will therefore carefully examine the Commission's proposals for the improvement of procedures and structures.

### III. with regard to competence

12. Finally, the committee asserts its competence regarding the content of research programmes and the assessment of the results. It therefore expects the Committee on Budgetary Control will limit its comments to matters of financial management.

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Social Affairs and Employment

Draftsman: Mr J van MINNEN

On 18 January 1983, the Committee on Social Affairs and Employment agreed to the appointment of Mr J van MINNEN as draftsman of the opinion on the 1981 discharge in view, notably, of the fact that he had been its draftsman for the budget for that year.

It considered the draft opinion at its meeting of 15 March 1983 and, at the same meeting, adopted it unanimously.

The following took part in the vote: Mr Papaefstratiou, chairman; Mr Pattison, vice-chairman; Mr van Minnen, draftsman; Mr Alexiadis (substitute Member), Mr Barbagli, Mr Brok, Mr Chanterie, Mr Dalsass, (deputizing for Mr Estgen), Mrs Maij-Weggen, Mrs Salisch, Mr Vernimmen (deputizing for Mrs Duport) and Mr Vgenopoulos (deputizing for Mr Dido).

## INTRODUCTION

1. To put matters into their proper perspective, it is essential to stress that in the year under review, the European Social Fund acted, as it has indeed ever since, in a context of an ever-worsening employment situation: at the end of 1980, there were just under 8 million registered unemployed in the Community of Nine (7.2 % of the working population); by the end of the following year, this number had soared by over 28 % to well over 10 million, or 9.2 % of the working population.<sup>1</sup>

Unfortunately, this trend - and the concomitant increase in demand upon the European Social Fund - was not matched by any significant increase in the Fund's resources<sup>2</sup> (the budgetary allocation in commitment appropriations in 1981 representing a mere 6 % increase over the previous year), and the gap between applications and the budgetary resources available continued to widen<sup>3</sup>.

2. Against this background, any wastage is clearly intolerable and the relatively poor utilisation of commitment appropriations, coupled with very substantial decommitments, in 1981 gives considerable cause for concern and the Court of Auditors has very rightly focused its attention on the problem. It is to be hoped that the measures proposed by the Commission to improve the operation of the Fund will help ensure that severely limited resources are in future used to maximum effect.

## FLOW OF PAYMENTS

3. At first glance, the rate of utilization of payments for 1981 (91.06 % as against 73.72 % in 1980, 71.8 % in 1979 and 48.7 % in 1978) appears to mark yet another major step forward in the encouraging headway made in expediting payments since 1979 when, for the first time, considerably greater use was made of the advance payments system. Furthermore, the rate of utilization of the new payment appropriations for 1981 (620.4 m ECU) was 88.2 % (as against 71.6 % in 1980, 56 % in 1979 and 44 % in 1978).

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<sup>1</sup> By December 1982, a further increase of nearly 17% had brought this total up to almost 12 million (10.8% of the working population)

<sup>2</sup> See Annexes I(1) and I(2), re the utilization of budgetary resources for 1981

<sup>3</sup> See Annexes II(1) and II(2) re the relationship between Commitment appropriations and requests for aid in 1980 and 1981

However, while this performance can in general be regarded as satisfactory, it becomes a little less impressive, by comparison with the previous year, if due account is taken of the fact that (i) the total payment appropriations for 1981 were 114.78 m ECU (or 12.3 %) less than those available for 1980 (and indeed 10.44 m ECU less than those available for 1979), (ii) the appropriations available at the beginning of 1980 (totalling 604.46 m ECU) were fully used up by the end of November, (iii) following the belated approval of Supplementary Budget No. 2/80 on 23 December 1980 (which largely explains why, of the extra 326.4 m ECU allocated, 198.68 m ECU had to be carried over to the following year), total payments made for 1980 finally amounted to 735.2 m ECU, i.e. only some 10 m ECU below the total for 1981.

4. As regards chapter 52 (Pilot Schemes), where the low rate of utilization in 1980 (54.97 %) had slightly tarnished an otherwise promising performance, the utilization rate of only 43.8 % was even worse in 1981.

5. As for item 5100 (Regions), the Commission claims that the relatively low rate of utilisation (82.42 %) can be ascribed to the fact that requests from some Member States were smaller and slower than expected, and that in a number of cases, full advantage was not taken of the system of advance payments. Moreover, this state of affairs can also arguably be seen as a reflection of the - increasingly - uneven spread of requests between chapters, those coming under Chapter 50 being - in contrast to Chapter 51 - far in excess of the appropriations available.

#### COMMITMENTS

6. If, subject to the foregoing reservations, the rate of utilization in respect of payment appropriations in 1981 can be deemed to have been acceptable, this is, regrettably, not the case as regards commitments where both the overall rate of utilization and the rate for each chapter were well below those achieved in the previous year, leaving 112.2 m ECU - or over 10 % of the total resources available for 1981 - to be carried over to 1982.

#### The growing gap between supply and demand

7. As can be seen from Annexes II(1) and II(2), the financial resources of the Fund proved once again to be pitifully inadequate in relation to appli-

cations for assistance: while the total resources available <sup>1</sup> increased by 8.5 % from 1,022 m ECU in 1980 to 1,108 m ECU in 1981 (and by an estimated 42 % to 2,578 m ECU in 1982), the total volume of applications increased by 18.7 % from 1,626 m ECU in 1980 to 1,929 m ECU in 1981 (and by an estimated 50 % to 2,888 m ECU in 1982). This disparity between resources and applications for assistance grew accordingly from 59 % in 1980 to 74 % in 1981, and provisional figures provided by the Commission indicate that the gap widened even further in 1982 to well over 80 %.

#### The 'imbalance' between Chapters 50 and 51

8. However, these figures confirm that a clear distinction must be drawn between Chapters 50 and 51 as regards the relationship between resources and applications: while the gap in respect of Chapter 51 has remained relatively narrow (41.2 % in 1980, 46.2 % in 1981 and an estimated 38.7 % in 1982), the disparity in respect of Chapter 50 has, by contrast, continued to widen dramatically, from 78.8 % in 1980 to 108 % in 1981 to an estimated 132 % in 1982! Paradoxically, this growing 'imbalance' is a consequence of the 'balance' between the two chapters required under Article 9(2) of Decision 71/66/EEC! <sup>2</sup>

#### Weighted reduction

9. The weighted reduction system had again to be applied to priority applications in most intervention sectors, and in the case of agriculture, textiles and migrant workers it already had to be applied to first priority applications. Moreover, the overall volume of weighted reduction amounted to 704.24 m ECU - equivalent to 41.3 % of total priority applications - as opposed to 234 m ECU (13.8 %) in 1980.

1 i.e. the budgetary allocation for the financial year plus carryovers

2 Although during the second reading of the 1983 Budget, the Council disregarded this requirement by entering substantial increases against Items 6010 and 6011 (formerly 5010 and 5011): vocational training and aids to employment for young people!



### Number of beneficiaries

10. In view of the foregoing, it does not come as a great surprise to note that the total number of beneficiaries decreased from 1,532,686 in 1980 to 1,305,883 in 1981, which is even less than the total for 1979 (1,360,250). However, here again a clear distinction has to be made between Chapters 50 and 51: under the latter (with the exception of the handicapped, where there were 55,280 beneficiaries as compared with 57,500 in 1980), there was a marked increase in the numbers in each category benefitting from assistance.

### Decommittals, reutilization and cancellation

11. In view of the extremely tight budgetary conditions under which the European Social Fund operates and the consequent need to use severely limited resources as judiciously and effectively as possible, it is particularly disturbing to note that in 1981 the substantial sum of 114.2 m ECU was made available for reuse by releasing 99.8 m ECU from 1980 and 14.4 m ECU from 1981 commitments. This undesirable state of affairs is aggravated by the fact that, in the opinion of the Court of Auditors, these decommitments were generally effected without adequate explanation for their non-utilization by the Member States concerned. Furthermore, substantial funds (116 m ECU) relating to commitments from before 1980 were also belatedly decommitted and thus cancelled in accordance with the relevant provisions of the Financial Regulation<sup>1</sup>.

In the latter connection, the Court of Auditors considers that the main reasons for the delay in decommitment are: (i) tardiness in notifying the Commission that projects have been cancelled, (ii) failure on the part of beneficiaries to update estimates, (iii) the considerable amount of time needed by the Commission to expediate decommitments.

### COMMISSION REACTIONS

12. In answer to the various observations and recommendations of the Court of Auditors, the Commission points out in particular that:

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<sup>1</sup> OJ No. L 356, 31.12.77, Article 6, paragraph 2(a)

- (i) the two major reasons for the non-utilization of appropriations in respect of continuous operations are that the national budgetary resources are not available or that the operation does not begin on time or at the level planned, factors which, it submits, are beyond its control. However, Member States are now requested to indicate the reasons for non-utilization of funds;
- (ii) through increasing application of computer techniques to the European Social Fund, every effort is being made to update information to the last possible moment before presenting it for Commission decision;
- (iii) as regards the Court of Auditors observations that 'in a system of shared responsibility<sup>1</sup> such as exists in the European Social Fund, it is important for the Commission to take care to satisfy itself by means of the appropriate contacts that certification of eligibility of expenditure is well founded', the Commission is currently undertaking a programme of examination of the national systems of applying for aid and claiming payments from the European Social Fund.

#### CONCLUSIONS

13. In the light of the foregoing, the Committee on Social Affairs and Employment invites the Committee on Budgetary Control to include the following observations in its resolution, and take them into account in its decision on the 1981 discharge:

#### The European Parliament,

- I. Noting the constantly widening gap between resources and applications, calls for a less arbitrary approach to the financing of the European Social Fund, and urges that there should be some correlation between rising unemployment (and, consequently, increased demand) and the annual increase in the Fund's resources;

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<sup>1</sup> Draftsman's underlining

- II. Recognising, however, that available resources will always inevitably remain inadequate in relation to the volume of applications for assistance, endorses once again the view set out in the resolution adopted by the European Parliament on 15 October 1981 on the budgetary control aspects of the European Social Fund (WETTIG report) that 'in view of the high and steadily increasing number of unemployed, which places a serious burden on the Community's social structure and economic interests, the meagre resources of the European Social Fund must be managed all the more carefully in order to make them as effective as possible'<sup>1</sup> ;
- III. Calls for greater flexibility in the management of the Fund, with a view in particular to facilitating transfers from one chapter to another of under-utilized resources in order to finance important projects (e.g. in respect of young people) that could not otherwise have been implemented;
- IV. Regrets therefore that, albeit partly for reasons beyond the control of the Commission, the utilization of resources in 1981 was less satisfactory than in the previous year, and trusts that the Commission will employ its best efforts - along the lines recommended by the Court of Auditors - to improve the Fund's operation in regard in particular to the vetting of applications, the selection, follow-up and supervision of projects and the timely notification of refunds;
- V. Welcomes the measures introduced by the Commission to this end, and in particular the application of computer techniques, to ensure that information about on-going operations is fully up to date when presented for Commission decision;
- VI. Applauds the Court of Auditors' insistence on the need for more careful and thorough checking as to whether expenditure is being used for the purposes for which it was originally approved, and welcomes the fact that - in addition to its right to carry out on-the-spot checks - the Commission is now undertaking a programme of examining the national systems of applying for aid and claiming payment from the European Social Fund.

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<sup>1</sup>OJ No. C 287, 9.11.1981, p.80

VII. Maintains that greater involvement and closer co-operation (in particular with regard to the provision of information) is called for on the part of the Member States, who must bear much of the blame for the failure to make the fullest use of the Fund's resources, and considers that an improvement in the machinery for processing applications must necessarily go hand in hand with a change in mentality on the part both of the Commission and of the Member States.

VIII. Calls on the Commission, the Council and the Member States to recognise their 'shared responsibility' vis-à-vis the people of the European Community for enhancing the role and the image of the European Social Fund, and, above all, for forging it into an increasingly effective instrument of Community labour market policy, and urges them to take full advantage, towards achieving this goal, of the benefits of past experience and of the opportunity provided by the 1982 review.

## Commitment appropriations

million ECU

Budget nomenclature		Total available for 1981	Commitments made in 1981	Utilisation rate (%)	Commitment approps. available on 31.12.1981
5000	Agriculture	7.40	5.67	76.62	1.73
5001	Textiles	17.44	15.11	86.64	2.33
5010	Young people - training	300.28	269.79	89.85	30.49
5011	Young people - employment	118.23	104.00	87.96	14.23
5020	Handicapped persons	-	-	-	-
5030	Migrant workers	31.13	30.60	98.30	0.53
5050	Women	25.50	22.63	88.75	2.87
50		499.98	447.80	89.56	52.19
5100	Regions	466.22	416.28	89.29	49.94
5101	Groups of firms	9.12	8.11	88.93	1.01
5102	Technical progress	35.05	31.87	90.93	3.18
5110	Handicapped persons	94.47	88.89	94.09	5.58
5120	Industrial conversion	token entry	-	-	-
51		604.86	545.15	90.13	59.71
5200	Pilot schemes	3.54	3.22	90.96	0.32
50 - 52	TOTAL	1108.38	996.17 (1)	89.88	112.22

(1) Differences in the figures for amounts committed in the various tables are accounted for by the use of the conversion rate in effect on 31.12.1981 in the non-budgetary tables.

## Payment appropriations

SOURCE: 10th Report on the Activities  
of the European Social Fund  
(COM(82) 420 final) Page 76  
million ECU

Budget nomenclature		Approps. available for 1981	Amounts paid in 1981	%	Appropriations cancelled	Approps. available on 31.12.1981
5000	Agriculture	7.00	6.52	93.14	-	0.48
5001	Textiles	7.71	7.69	99.74	-	0.02
5010	Young people - training	193.78	193.54	99.87	-	0.24
5011	Young people - employment	82.18	82.09	99.90	-	0.09
5020	Handicapped persons	1.00	0.30	30.04	-	0.70
5030	Migrant workers	35.11	34.92	99.48	-	0.18
5050	Women	9.74	9.70	99.61	-	0.04
50		336.52	334.77	99.47	-	1.75
5100	Regions	393.62	324.42	82.42	-	69.20
5101	Groups of firms	3.00	2.99	99.67	-	0.01
5102	Technical progress	19.60	19.56	99.80	-	0.04
5110	Handicapped persons	62.39	62.38	99.98	-	0.01
5120	Industrial conversion	-	-	-	-	-
51		478.61	409.35	85.53	-	69.26
5200	Pilot schemes	3.95	1.73	43.88	-	2.22 (2)
50 - 52	TOTAL	819.08	745.85 (1)	91.06	-	73.23 (2)

(1) Differences in the figures for amounts paid in the various tables are accounted for by the use of the conversion rate in effect on 31.12.1981 in the non-budgetary tables.

(2) Of which 0.22 million ECU were cancelled.

million ECU

SOURCE: 10th Report  
on the activities of  
the European Social  
Fund (COM(82) 420 fin)  
Page 81

Budget nomenclature		Appropriations available	Amount requested	Shortfall (%)
5000	Agriculture	7.40	17.66	138.6
5001	Textiles	17.44	35.52	103.7
5010	Young people - training	300.28	524.98	74.8
5011	Young people - employment	118.23	167.31	41.5
5020	Handicapped persons	-	-	-
5030	Migrant Workers	31.13	188.93	506.9
5050	Women	25.50	105.46	313.6
50		499.98	1039.86	108.0
5100	Regions	466.22	660.50	41.7
5101	Groups of firms	9.12	19.05	108.9
5102	Technical progress	35.05	53.67	53.1
5110	Handicapped persons	94.47	151.13	60.0
5120	Industrial conversion	-	-	-
51		604.86	884.35	46.2
5200	Pilot schemes	3.54	4.55	28.5
50 - 52	TOTAL	1108.38	1928.76	74.0

RELATIONSHIP BETWEEN THE APPROPRIATIONS FOR COMMITMENT  
AND REQUESTS FOR AID FOR 1980

m ECU

Budget Nomenclature		APPROPRIATIONS AVAILABLE	AMOUNT REQUESTED	PERCENTAGE SURPLUS
5000	Agriculture	35,06	38,87	10,9
5001	Textiles			
5010	Young people - Training	281,12	465,71	65,7
5011	Young people - Employment	111,65	132,43	18,6
5020	Handicapped persons	0,08	-	-
5030	Migrant worknrs	38,03	163,00	328,6
5050	Women	21,14	70,83	235,1
50		487,08	870,84	78,8
5100	Regions	454,61	623,84	37,2
5101	Groups of firms			
5102	Technical progress			
5110	Handicapped persons			
5120	Industrial conversion			
		77,18	127,04	64,6
		token entry	-	-
51		531,79	750,88	41,2
5200	Pilot schemes	3,05	3,83	25,6
50 - 52	TOTAL	1.021,92	1.625,55	59,1

SOURCE: 9th. Report on the Activities of the  
European Social Fund  
(COM(81) 343 final) Page 63



OPINION

(Rule 101 of the Rules of Procedure)  
of the Committee on Development and Cooperation

Draftsman: Mr U. IRMER

On 20 January 1983, the Committee on Development and Cooperation appointed Mr IRMER draftsman.

The committee considered the draft opinion at its meeting of 17 March 1983 and adopted it on 25 March 1983 with 9 votes in favour and 4 abstentions.

The following took part in the vote:

Mr PONIATOWSKI, chairman; Mr KÜHN, vice-chairman, Mr IRMER, draftsman, Mr COHEN, Mrs DURY, Mr DESCHAMPS (deputizing for Mrs RABBETHGE), Mr de COURCY LING, Mr ENRIGHT, Mr NARDUCCI, Mr JACKSON, Mr LOMAS (deputizing for Mr FELLERMAIER), Mr GEURTSSEN (deputizing for Mr SABLE), Mr SHERLOCK, Mr VANKERKHOVEN and Mr WEDEKIND.

The Committee on Budgetary Control adopted this working document on 23 March 1983.

CONCLUSIONS

Food Aid (Chapter 92)

The European Parliament

1. Reaffirms the firm conviction it has already expressed on a number of occasions that food aid cannot of necessity achieve its purpose and must lead to a waste of money and in some cases even harmful effects on the food situation in the recipient countries if it is pursued in isolation, governed by irrelevant considerations and unless it forms part of a comprehensive overall design for development policy.
2. Condemns most strongly the fact that the Council has unilaterally declared the conciliation procedure on the basic food aid regulation to be closed, without even informing Parliament, and has summarily adopted Regulation 3331/82.
3. Doubts whether the regulation can be regarded as legally valid under such circumstances and fears, in addition, that the substance of the regulation is ill-suited to overcoming the severe structural weaknesses in the procedure as described in the special report by the Court of Auditors and the report of the European Parliament.
4. Instructs the Commission to submit without delay a comprehensive report on the steps it has taken to meet the demands formulated by the European Parliament in its resolution on the special report by the Court of Auditors.
5. Criticizes once again the violation of basic budgetary principles in the implementation of food aid as shown by large-scale carry-overs and the cancellation of quite considerable appropriations, as well as the manipulations which still continue to be used to cover the financial requirements of earlier programmes with resources from programmes for the current financial year.
6. Criticises the fact that the Commission clearly does not consider it necessary to take account of the forceful objections made time and again by the Court of Auditors and the Parliament and calls on the Commission, when submitting its preliminary draft budget for 1984, to explain in detail to what extent the estimates for earlier programmes compared with the estimates for programmes in the financial year in question are more realistic than in the past.

7. Calls on the Commission to adopt the proposals made by the Court of Auditors for practical improvements (packaging, specification of dates, etc.), based on studies of previous failures.
8. Calls in particular for the utmost attention to be given to the question of quality control and to ensuring that the loading dates are notified in good time without exception to the Commission, the authorities in the recipient countries and the delegations on the spot.

Financial and technical cooperation with non-associated developing countries  
(Chapter 93)

9. Acknowledges that considerable progress has been made with the financial management in this sector, that carry-overs have been reduced to a highly acceptable level and that the cancellation of appropriations has been almost entirely avoided.
10. Does not, however, consider it proper that the realistic estimates proposed by the Commission and Parliament in the budgetary procedure should first be drastically reduced by the Council then in the course of the financial year made up to the level originally proposed by the Commission and endorsed by Parliament by transfers of appropriations or supplementary budgets.

Cooperation with third countries (Chapter 96)

11. Considers it intolerable that almost half the appropriations set aside in the budget for financial aid to third countries escapes the control of the Court of Auditors, and hence also of Parliament, by being administered by the EIB and is thus unable to accept full responsibility for the granting of a discharge-
12. Calls, therefore, on the Commission to submit proposals without delay on how an effective, and not simply internal, control of the management of budgetary resources by the EIB can be established.

European Development Fund

13. Reaffirms that as the authority responsible for granting a discharge, it could only fulfil this duty properly if it were to be involved in the approval procedure as one arm of the budgetary authority.

14. Regrets the lack of flexibility in the financial instruments which, among other things, has led to the virtual collapse of the Stabex system.
15. Urges the Commission, the Council and all the Member States most strongly, therefore, to make every effort to achieve the budgetization of the sixth and all subsequent Development Funds and requests the Commission to submit a precise programme of action to that end before opening the negotiations on the follow-up treaty to Lomé II.
16. Intends to follow closely whether the Council and the EIB fulfil their undertaking to supply more exact and comprehensive information in future on projects where the EIB administers resources on behalf of the Community, this being an essential basis for control and consequently for the discharge procedure.
17. Calls on the Commission to ensure with all the resources at its disposal that each Member State pays its financial contribution on time and urges the Commission in future to reclaim from the defaulting Member States losses of interest or funds incurred as the result of delayed payments.
18. Supports the Commission's efforts to learn from earlier mistakes and to ensure as far as possible in future, as early as the project selection and planning stage, that subsequent operating and maintenance costs can be covered so as to ensure the lasting value of investments.
19. Considers it necessary that in the selection and planning of projects and equipment, even more attention should be given in future to the question of whether local specialist staff will be available in sufficient number and with adequate qualifications.
20. Welcomes the Commission's intention, when selecting technology for use in the various projects, to make a careful distinction on the basis of the local circumstances prevailing and to exclude, as far as possible, considerations of prestige.
21. Asks the Commission to consider whether, in the case of co-financing, more satisfactory agreements between the individual donors in advance could not reduce the problems which constantly recur.

22. Considers it possible that problems of increased cost, which may even threaten the aims of the project by exceeding the planned time-scale, could be reduced, particularly in cases of co-financing by various donors and/or participation by the recipient countries, by ensuring that deadlines are adhered to more closely by obtaining binding agreements and undertakings from all those involved in advance.
  
23. Takes the view that the formation of producer prices for agricultural products can be a crucial factor for the success or otherwise of agricultural projects and therefore calls on the Commission to pursue consistently its efforts to achieve the maximum possible in the way of binding agreements by the countries involved at least not to undercut certain minimum prices.

Explanatory statement

Since direct elections, the European Parliament and its relevant bodies have regarded development aid and relations between Europe and the third world as one of its most important areas of activity.

Within its terms of reference, the Committee on Budgetary Control has made its contribution to these relations. Its concern has been to scrutinize to what extent the appropriations made available for this policy have been used for the purpose for which they were intended. The committee carried out this work both as part of the annual discharge and also in special reports which cover almost all areas, not only the budgetized activities (food aid, aid to non-associated countries, specific development aid measures, cooperation with the Mediterranean countries) but also non-budgetized activities, i.e. EDF under the Lomé Convention.

We wish to commend the close and fruitful cooperation with the Committee on Development and Cooperation. The work that has been done has not yet produced sufficiently concrete results, and in particular, Parliament has still not been able to gain acceptance in its consultations with the Council for its views on food aid or budgetization of the EDF nor succeeded in gaining unequivocal, full support from the Commission. Nevertheless, Parliament's efforts, which have received valuable backing from the Court of Auditors, have stimulated a clear awareness not only in Parliament but also among the general public and in the other institutions of the tremendous problems in the field of development aid.

There is now a general recognition that in this field a Community policy has the advantages over the sum of national policies of greater effectiveness and greater objectivity. Moreover, particularly following the excellent report by the Court of Auditors on food aid, it has become clear that the present tortuous procedure obscures the Commission's responsibilities, has a fundamentally detrimental effect on the quality of aid and can impair its effectiveness. It is, however, regrettable that, despite this clear awareness the logical practical consequences have so far not been drawn.

Thus the implementation of the 1981 budget needs to be assessed in the light of the attitude adopted not only by the Commission but also by the Council which shares responsibility for implementation. On the one hand, the Commission and Council have announced their intention of recasting this policy but at the same time there is no evidence of any concrete progress in this direction.

## I. FOOD AID

### A. Implementation of the Budget

- For years, Parliament has drawn attention to the chaotic, disorganized implementation of the budget in the field of food aid characterized by movements of appropriations in opposing directions, extensive carry-overs and, ultimately, the cancellation of appropriations. This simply shows the inability of the Commission to conduct a real policy, i.e. to organize measures and provide for their financing.
- Although Parliament has been criticizing these manipulations of budget authorizations year in, year out, the following observations still apply in 1981:

- . carry-overs to the following year and the cancellations of appropriations are still too high:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Carry-overs	172	132	100	137	213.5	110.7
Cancelled	47.6	54.3	19.2	-	-	10.6

- . the shunting of appropriations between programmes in the current year and programmes of previous years reached an unprecedented scale in 1981.

	Original Appropriations	Supplementary budget	Transfers	Final Appropriations
6201 Refunds on milk powder 1981	100,940	- 93,940	+ 13,400	20,400
6202 Refunds on butter- oil 1981	112,700	- 101,700	+ 4,600	15,600
6203 Refunds on milk powder from previous years	4,900	+ 50,100	+ 5,500	60,500
6204 Refunds on butter- oil from previous years	4,900	+ 50,100	+ 7,500	62,500
9210 Refunds on milk powder from previous years	4,116	+ 15,900	+ 62,354	82,370
9211 Refunds on milk powder 1981	96,478	+ 36,433	- 68,761	64,149
9212 Refunds on butter- oil from previous years	2,689	+ 22,700	29,297	54,686
9213 Refunds on butter- oil 1981	67,840	+ 28,349	- 34,297	61,926



The original allocation of appropriations was made on the basis of Commission proposals which were largely endorsed by the budgetary authority.

- Clearly such distortions are designed to cover up lengthy delays in implementation. They also show that the Commission does not have the implementation of its programmes under control.
- This criticism is of course directed primarily at the Commission which is not only responsible for such manipulations but, moreover, has taken absolutely no notice of Parliament's disapproval.

The budgetary authority must, however, reach more coherent decisions. It cannot continue to ignore the fact that the appropriations for current programmes are systematically overestimated while those of the previous year are underestimated. It is also evident, as the Court of Auditors points out, that appropriations of 40 million ECU introduced on 22 December can no longer be used within the year, which raises even higher the level of carry-overs.

#### B. Economy and effectiveness of food aid

- The assessment made by the Court of Auditors in its special report is comprehensive and exhaustive. Parliament has made its proposals accordingly. It only remains to observe that in paragraph 9.9, the Court of Auditors notes that there have been no significant improvement as regards
  - . renewed delays in the adoption by the Council of the year's programmes
  - . impossibility of checking the implementation of programmes against the accounts
  - . clearance of the accounts increasingly delayed.
  - . quality control of food aid provided

These observations make it clear, and the activities of the Court of Auditors and the Parliament have made it generally known, that there is a need for a re-organization of Community food aid. Parliament has presented guidelines for such a policy and specific measures for its definition and administration<sup>1</sup>. During the conciliation procedure on the food aid regulation, Parliament's delegation drew attention to these proposals. Unfortunately the Council paid them no attention and unilaterally decided to declare the conciliation procedure over.

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<sup>1</sup> Reports on combating hunger in the world and food aid

Parliament has made it known to the Council via its President that it is not prepared to accept this. The appropriate steps must now be taken.

- As far as the short term improvement in procedures is concerned, the Court of Auditors (paragraph 9.6) notes that considerable progress has been made in eliminating the backlog and that the amounts outstanding at the end of the year have fallen considerably in relation to the previous year.
- Further improvements could be achieved if the Commission would accept the Court of Auditors' proposals:
  - . improving the quality of packaging
  - . smaller containers for vitaminized skimmed-milk powder
  - . inclusion of date of manufacture and recommended date for consumption.

C. Observations on Pakistan and Mauritania

- The Court of Auditors analyses in detail in its special report the effects of Community food aid. The observations in the annual report for 1981 on particular problems have reaffirmed earlier criticisms and in some cases made them more specific. As far as the non-compliance by recipient countries of agreed terms (submitting reports, counterpart funds) is concerned, we would cite paragraph 34 of the resolution of 14 April (Doc. 1-98/82):

'34. Views the total or partial failure in many cases to comply with the contractual conditions agreed between the Community and the recipient countries, including arrangements for the use of counterpart funds by the recipient countries, as a further symptom of the absence of a coherent food aid policy and demands that in future

- the conditions negotiated must be conducive to the optimum use of the aid within the agreed development strategy for the country concerned, which must also be actually able to comply with them;
- the conditions should not be negotiated and applied on a general basis across the board but instead should be geared to the individual case and administered with flexibility;
- the observance of such conditions adapted to development policy objectives must also, however, be strictly monitored.'

- The Commission's replies to paragraph 9.13 and 9.14 simply represent a failed attempt to justify a policy which does not exist.

## II FINANCIAL AND TECHNICAL COOPERATION WITH NON-ASSOCIATED DEVELOPING COUNTRIES

Parliament is following this policy and its implementation with great interest. This policy was introduced at Parliament's initiative and Parliament has backed its developments. This is the best example of how Parliament can exert considerable influence on Community development. In this particular case, it made use of its budgetary powers. This policy was pursued for six years as part of budget provisions on which Parliament had the final say and only a few years ago did the Council see fit to adopt a regulation for this policy.

### A. Implementation of the Budget

Because of the circumstances under which the 1981 budget procedure was concluded, Parliament had to decide not to use its powers to develop this policy in order to bring the resources to a reasonable level. As usual the Council had, in line with its policy every year on the maximum rate, reduced these appropriations hoping the Parliament would reinstate them. The Court of Auditors stresses that the official justification for this reduction by the Council was the rate of disbursement established in previous budget years.

The following table shows the development of appropriations in the course of procedure

million ECU

	Preliminary draft	Council draft	First reading Council	Second Reading Council	Second Reading Parliament
Commitment appropriations	209.35	106.85	209.25	156.85	156.85
Payment appropriations	74.35	27.1	74.25	26.5	26.5

It is irrelevant whether the Council made these cuts because of the lack of information from the Commission or not. At all events, it is the Council that is to blame for making these unjustified cuts, despite proposals from Parliament and the Commission, which subsequently turned out to be a major mistake. Indeed the rate of utilization of appropriations has improved considerably so that payments appropriations had to be increased by 1.35 million by transfer of appropriations and then by 15.5 million by carry-overs from previous years and then finally by 44 million ECU in the supplementary budget.

The following table shows the development and use of appropriations:

Commitment appropriations		ECU	
Original appropriations	Carried over from the previous year	Final appropriations	
156 million	43 million	1999 million	
<u>Earmarked appropriations</u>	<u>Transferred Appropriations</u>	<u>Available appropriations</u>	
159.9 million	35.7 million	4 million	

  

Payment appropriations in million ECU					
a. resources for that year					
Original appropriations	Transferred appropriations	Supplementary Budget	Final appropriations	Payments	Carry-over to next year.
26.5	1.35	44	71.85	57.7	14

  

b. Appropriations carried over from previous years:			
Carry-over	Carry-over from Chapter 87	Final appropriations	Payments
20	15.5	35.5	35.5

We should observe therefore, that the implementation of the budget in this field has made considerable progress over the last five years, that carry-overs are now on a reasonable scale and that there are practically

no more cancellations of appropriations.

### B. Implementation of projects

Here, too, the overall assessment is favourable. This policy is based on concrete, simple projects of direct benefit which represent a major form of aid to development in the recipient countries. Of course there is room for improvement. One permanent feature of this policy has been the long delays in implementing projects which are partly due to the nature of the projects themselves but are often caused by procedural problems at the initial stage.

The Court of Auditors also criticises the fact that the Community is not sufficiently represented in some countries which of course makes it difficult for regular and coordinated exchanges between the Commission and local administrations.

### III COOPERATION WITH THIRD COUNTRIES

The development and use of appropriations allocated to this policy in 1981 were as follows:

<u>Commitment appropriations</u>		<u>Million ECU</u>
Original appropriation	Additional Appropriations	Total
	<u>from the previous year</u>	
234.17	74.6	308.8
<u>of which:</u>		
Earmarked appropriations	Appropriations carried	Cancelled
	<u>over to the following year</u>	<u>Appropriations</u>
148.9	155	4.8
<u>Payment appropriations</u>		<u>Million ECU</u>
Original appropriations	cut by carry-overs	Final appropriations
	<u>by</u>	
146.5	2.8	143.6
<u>of which:</u>		
Appropriations paid	carried over to the	
	<u>following year</u>	
4.4	131.5	

carried over from previous year	of which: appropriations paid	cancelled appropriations
126.6	63.6	64

The sums involved are clearly considerable. The major problem for years has been delays in implementation with the consequent cancellation of appropriations.

The reasons for this are set out in paragraph 9.28 of the Report of the Court of Auditors. The Court of Auditors makes two further observations:

1. The relationship between the EIB and the Commission does not allow monitoring to take place.
2. The administration of the appropriations does not fall within the budget procedure.

#### IV EDF

- Financial and technical cooperation with associated and developing countries has been in existence since the beginning of the EEC and the first EDF was set up in 1959.

No one would deny that this association has been of tremendous political importance for relations between Europe and the countries of Africa, the Caribbean and the Pacific, Central and South America. These relations do not simply consist of diplomatic contacts: they take the very concrete form of financial and technical cooperation and EDF financing;

- this policy has succeeded until now because the associated countries welcomed the Community character of the aid and see this as guaranteeing a certain degree of neutrality. Parliament has always expressed the view that this Community character must be ensured by guarantees and a certain amount of influence on policy decisions, on implementation and on monitoring by institutions which largely reflect Community interest.
- so far progress in this direction has generally been restricted to the field of monitoring. The powers of the Court of Auditors and Parliament in relation to the EDF are virtually identical with those

those for the general budget. The Commission administers resources and policy subject to supervision by Parliament and the Court of Auditors. The Member States, however, exert direct influence on decisions relating to implementation particularly by means of the 'committee' procedure. Policy decisions on the form of cooperation and its financing are still largely in the hands of the Member States.

A. Implementation of the Budget

- the EDF is still not budgetized despite moves by Parliament with Commission backing. Until now the Council has succeeded in postponing this budgetization on various grounds. The most recent argument cited was the problem of limiting own resources. The Commission does at least submit a document with the preliminary draft estimates which provides the basic data on EDF revenue and expenditure for the following year. Parliament or its appropriate committees, also receive during the course of the year a number of documents on the implementation of the EDF. Parliament therefore has an opportunity to make its views known on various aspects of financing. This was for example, the case with STABEX.

	1st EDF	2nd EDF	3rd EDF	4th EDF	5th EDF	Total
Revenue						
(a) contributions	-	-	-	555,000,000	-	555,000,000
(b) Misc.	-	-	-	21,716,815	-	21,716,815
Commitments	-	260,570 <sup>1</sup>	2,080,563	150,513,397	548,948.922	701,282,312
Payments	410,000	939,000	20,688,000	445,766,000	190,731,000	658,534,000

<sup>1</sup> carry-over to 3rd EDF

- In relation to expenditure, it may first of all be noted that with the 20 years of experience, the Commission is able to plan reasonably accurately the rates of disbursement for the various types of financing. This experience is also reflected in the preparation and implementation of projects which are now often tackled better and in a more concrete form so that they are more useful.

- There was, however, a serious problem in STABEX financing in 1981: the resources available covered barely half the legitimate claims from the ACP States. Parliament proposed that the additional resources needed should be provided from the general budget. The Council decided in Libreville, however, that the deficit would only partly be made up from EDF resources and EDF funds in the EIB so that only some of the ACP claims could be settled.
  
- Experience shows that the STABEX system not only has no overriding influence on improvements to production structures but also that its scope is severely restricted by procedural constraints. Clearly, if the EDF had been budgetized this problem could have been solved very simply by transferring appropriations.
  
- The Member States' contributions account for the main part of revenue. The Court of Auditors observes that this system has a negative effect on accounting. Firstly, the Commission estimates its cash requirements on a very generous basis. It assumes that it needs reserves of 130 m ECU in all accounts. And in 1981 a further 150 m ECU were 'saved' for not immediately obvious reasons. Secondly, the Member States are not particularly punctilious about paying in their contributions which creates two problems:
  - (a) to what extent should, or must interest be charged on overdue amounts?
  - (b) how could these outstanding payments be included in budget accounts when Parliament grants a discharge?

B. economy and effectiveness of financing

- In paragraph 1'.6, the Court of Auditors observes that it is too often obliged to repeat its comments. The same applies to Parliament. As in the case of other areas of Community development aid, the Community, in particular the Commission, in the light of the analysis by the Court of Auditors and Parliament, has tried to redefine this policy. The documents submitted show far greater understanding of the position and needs of the developing countries and seek to propose a fairer balance of interests between the development countries and the Community.



- It would appear, however, that once again this will remain little more than a pious hope. The Commission is not in a position to ensure that its point of view prevails over the resistance of an individual Member State and to put Community interests above national interests.

- Nevertheless, the comments by the Court of Auditors and Parliament have led to the Commission trying to adhere to certain principles when selecting measures for financing:

- greater account of the need to increase self-sufficiency, particularly in the case of food;
- projects better adapted to the customs and needs of the local population;
- recognition of existing social and economic structures:
- projects adapted to local circumstances;
- priority for simple, effective, easily maintained projects which can be more readily implemented than costly prestige or futuristic projects

- Unfortunately, the report by the Court of Auditors shows that these principles are not always adhered to, and this had led to projects failing.

Particular attention should be given to one remark by the Court of Auditors (paragraph 15.25), namely that training is an important requirement for the success of any development aid scheme.

### C. Administrative problems

- There is the delicate problem of monitoring projects carried out in, and through the intermediary of, sovereign third countries. The Commission has tried to solve this problem by using delegations. These have generally worked very well. The Court of Auditors and Commission recognize this but emphasize that they are sometimes overburdened with administrative tasks and operating under extremely difficult conditions.

- Moreover, the administrative position of the staff of these delegations as EAC employees has been unsatisfactory for a number of years. Parliament should urgently take steps (investigation of the situation, proposals as part of a mixed working party, development and monitoring committee)

- Supervision by the Court of Auditors, which at least in this field has worked well and represents a source of vital aid for Parliament, operates without difficulty in the ACP countries and provides an objective overall view of projects.

In only one case is the Court of Auditors unable to carry out its functions. In the case of the administration of risk capital, special loans and subsidized interest rates, the European Investment Bank is instructed by the Commission to administer Community resources. As the Commission has, however, so far not fulfilled its duties as an executive body to conduct serious supervision, and has not demanded the necessary background documents, the Court of Auditors was obliged to insist that relations between the EIB and the Commission should be reorganized. Assurances have been given that EIB reports on the execution of its functions will be more detailed in future.