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DOCUMENT 1-930/83

Report

drawn up on behalf of the Committee on Regional Policy
and Regional Planning

on the proposals on the European Regional Development
Fund (ERDF) contained in the Commission's report on
ways of increasing the effectiveness of the Community's
structural funds (Doc. 1-646/83 - COM(83) 501 final)

Rapporteur: Mr P. DE PASQUALE

PE 85.620/fin.

EUROPEAN PARLIAMENT

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198₃ - 198₄

3 February 1984

DOCUMENT 1-930/83/CORRIGENDUM

CORRIGENDUM

to the report by Mr P. DE PASQUALE
drawn up on behalf of the Committee on Regional
Policy and Regional Planning

on the proposals on the European Regional Development Fund
(ERDF) contained in the Commission's report on ways of
increasing the effectiveness of the Community's structural
funds (Doc. 1-646/83 - COM(83) 501 final)

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL¹

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¹ This opinion replaces the one annexed to the report by
Mr DE PASQUALE - Doc. 1-930/83
(This does not affect the German version)

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

Strasbourg, 12 October 1983

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

Dear Mr De Pasquale,

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

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

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

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

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

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

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

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

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

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

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

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

As regards the Commission's specific proposals concerning the European Regional Development Fund, the Committee on Budgetary Control pointed out that the proposal for a new Fund regulation which the Commission submitted in 1981 (amended in December 1982 following the submission of Parliament's opinion) has now been superseded by this document and that the proposal will have to be amended once again. Basic problems in future will be the classification of quota and non-quota sections and the possible abolition of the quota system itself. We must wait for specific proposals from the Commission before delivering an opinion.

As regards financing by means of 'programme contracts', the committee stresses that this would make it possible to improve coordination between the Fund and national policies and would allow projects to be assessed in advance.

It should be pointed out, however, that several of the European Parliament's proposals as contained in the opinion on the new Fund regulation (DE PASQUALE report of 22 April 1982) concerning improvements in assessing projects in retrospect (Article 8), coordination with other funds (Article 9), subsequent checks (Article 25), the use of statistics (Article 26) and relations with regional authorities (Article 36), have not been adopted by the Commission. The committee emphasized that Parliament must insist that the Commission adopt these proposals as they are in line with the principles set out in the abovementioned document.

Yours sincerely,

(sgd.) Heinrich AIGNER

The committee adopted the above opinion unanimously with 1 abstention. The following took part in the vote: Mr Aigner, chairman; Mr Treacy and Mrs Boserup, vice-chairmen; Mr Gabert, Mrs Herklotz (deputizing for Mrs van Hemeldonck), Mr Jürgens, Mr Kellett-Bowman, Mr Key, Mr Lalumière, Mr Mart, Mr Notenboom, Mr Patterson, Mr Saby, Mr Konrad Schön, Mr Simonnet (deputizing for Mr Marck) and Mr Wettig.

At its sitting of 12 September 1983, the European Parliament, pursuant to Rule 94 of the Rules of Procedure, referred the communication from the Commission of the European Communities to the Council entitled 'Report and Proposals on Ways of Increasing the Effectiveness of the Community's Structural Funds' (Doc. 1-646/83) to the Committee on Regional Policy and Regional Planning as the committee responsible in respect of those areas falling within its terms of reference and to the Committee on Budgets and the Committee on Budgetary Control for their opinions.

At its meeting of 21 September 1983 the Committee on Regional Policy and Regional Planning confirmed the appointment as rapporteur of Mr P. De Pasquale, who had already acted as rapporteur during consideration of the first proposals for amendments to the ERDF, the procedure for which was wound up with the adoption of the European Parliament's opinion at the sitting of 22 April 1982 (OJ No. C 125, 17.5.1982, page 84 ff.).

The committee considered the draft report at its meetings of 28 September and 11 October 1983.

At the last meeting it adopted the motion for a resolution by 14 votes to none with one abstention.

The following took part in the vote: Mr De Pasquale, Chairman and Rapporteur; Mrs Fullet, Vice-chairman; Mrs Boot, Mr Cardia (deputizing for Mrs De March), Mr Cecovini, Mr Chanterie (deputizing for Mr I. Friedrich), Mr Cronin, Mrs Ewing, Mr Gendebien, Mr Hutton, Mr Kazazis, Mr Pottering, Mr Karl Schon, Mr Travaglini and Mr Verroken.

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

This report was tabled on 21 October 1983.

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ANNEX I - Opinion of the Committee on Budgets

ANNEX II - Opinion of the Committee on Budgetary Control

The Committee on Regional Policy and Regional Planning hereby submits to the European Parliament the following motion for a resolution together with explanatory statement

A

MOTION FOR A RESOLUTION

on the proposals on the European Regional Development Fund (ERDF) contained in the Commission's report on ways of increasing the effectiveness of the Community's structural fund

The European Parliament,

- having regard to the communication on the structural funds (Doc. 1-646/83) presented on 28 July 1983 by the Commission to the Council following the Stuttgart summit on 17-19 June and in preparation for the Athens summit in December 1983;
 - having regard to the report by the Committee on Regional Policy and Regional Planning and the opinions of the Committee on Budgets and the Committee on Budgetary Control (Doc. 1-930/83);
1. Criticizes the Council for its failure to act, since it has been unable to reach a decision on proposals presented to it by the Commission on 5 November 1981 on the reform of the ERDF (1) on which Parliament delivered an opinion for the Council as long ago as 22 April 1982 (2);
 2. Points out that it has waited in vain for the Council to reach 'common guidelines' on this subject with a view to opening the conciliation procedure provided for in the inter-institutional agreement of 4 March 1975;

(1) See OJ No C 336, 23.12.1981, page 60 ff

(2) See OJ No C 125, 17.5.1982, page 84 ff

3. Regrets, therefore, the absence of a serious democratic dialogue in such an important area of legislation, pointing out that on several occasions it has stressed the urgent need for agreement to be reached (1);
4. Reaffirms, nevertheless, its own vote of 22 April 1982 in favour of the Commission's proposals of 5 November 1981;
5. Insists on a correct application of Article 149(2) of the EEC Treaty and therefore takes the view that independently of the communication of 28 July 1983 the Commission's original proposals retain, in their original form, their full validity in both form and substance;

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6. Reaffirms its statement in paragraph 1 of its resolution of 22 April 1982 embodying its opinion on the reform of the ERDF and, as on that occasion, once more insists 'on the need for the Fund's activities to be orientated towards a global policy for promoting balance and progress, to which a contribution must also be made by the other Community Funds, particularly the EAGGF, the Social Fund and ... the European Investment Bank, as well as ... the "New Community Instrument" (NCI)';
7. Stresses the continuing absence of such a global policy for promoting balance and progress which can only be achieved by clear decisions on priorities within the common policies;
8. Notes that these decisions often fail to materialize through the fault either of the Council or the Member States (general economic policy, monetary policy, employment policy, regional policy in the strict sense and transport policy); in other cases, such as the policy for the reform of agricultural structures, the deadlines for implementation or reform are almost upon us and it is still unclear what direction Community policy will take in this sector after 1984;

(1) See Resolution of 14.1.1983 (OJ No C 42, 14.2.83, page 92) and Resolution of 9.6.83 (OJ No C 184, 11.7.83, pages 93 to 94)

9. Is therefore convinced that it is unrealistic and fruitless to pursue the aim of greater effectiveness for the structural funds in isolation from the fundamental objective of pursuing policies for development and structural balance which represent the specific task allocated to these Funds, particularly in the case of the European Regional Development Fund (ERDF);

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10. Welcomes the fact, however, that this report by the Commission on the effectiveness of the Funds will help to give new impetus to negotiations on reform of the ERDF;

11. Stresses in this context, while reserving the right to adopt a position at a later stage on the detailed legislative proposals, that it welcomes the proposed solutions for:

- coordination between the Funds,
- the conditions to be attached to operations,
- financing for programmes, using the programme contract facility,
- multiannual financial planning,
- an appropriate increase in the endowment of the funds, particularly the ERDF;

12. Points out, moreover, that these solutions are in line with the substance of the opinion it delivered in its resolution of 22 April 1982 and that the Commission amended its proposal in line with that opinion on 6 September 1982 (1), pursuant to Article 149(2) of the Treaty;

13. Is also prepared to accept, again in principle and subject to confirmation in the detailed proposals, a less rigid formulation on quotas, in return for a strengthening of the Commission's management responsibilities, provided that regional policy priorities are more clearly defined and without prejudice to Parliament's right to give its opinion on the instruments devised to support the programmes;

(1) Doc. COM(82) 572 final

14. Is also prepared to consider a structure for the Fund which does not consist of a rigid legal and accounting separation into two sections, with the proviso that:
- (a) the main priority must still be given to correcting structural imbalances in the Community, taking into account the objective criteria for identifying intervention areas which were used in the proposals of 5 November 1981;
 - (b) a substantial share of the Fund should in any case be allocated to specific Community measures which the Commission will be asked to launch to deal with the serious problems of industrial change in the Community and to facilitate the achievement of the objectives laid down in the common policies;
15. Emphatically insists that the criterion of concentration of aid be maintained;
16. Re-emphasizes that the need for concentration is based on precise needs for economic recovery in general, as indicated in the resolution of 22 April 1982, on the need for a redistribution of resources within the Community and on a series of regional policy decisions designed to overcome serious problems of underdevelopment due to major industrial change, the predominance of agriculture, structural unemployment or the situation of the peripheral regions;
17. As regards sectors within the responsibility of the other Funds, calls upon the Commission, precisely for reasons connected with regional policy, to preserve its ability to carry out specific operations in the regions in the domain of agricultural structures;
18. Calls for the submission to Parliament of a balance sheet and an assessment of effectiveness of the other financial instruments designed for structural development (EMS subsidies, European Investment Bank, New Community Instrument, ECSC and EURATOM operations);

19. Calls on the Commission therefore, as of 1984 to submit to the European Parliament and Council of Ministers an annual report on the development and results of its structural policy and on its future structural guidelines and projects;
20. Declares its intention of taking particular account of the views of the regional representative bodies concerned on structural programmes drawn up with Community participation;
21. In conclusion, urges the Council and the Member States to put an end to the boycotting of one of the fundamental policies of the Community; the reform of the ERDF must be brought swiftly to a conclusion and positive decisions should be taken as soon as possible on the procedures for the second series of specific Community regional development measures, on which Parliament has already delivered its opinion on 10 June 1983 (1), and on the integrated Mediterranean programmes which, together with the specific measures, represent important practical priorities for regional policy; as regards these Mediterranean programmes, the Commission's proposals must nevertheless be modified in the light of the general guidelines on Mediterranean policy already set out by the European Parliament;
22. Instructs its President to forward this resolution to the Commission and the Council.

(1) See OJ No C 184, 11.7.83, page 154 ff.

EXPLANATORY STATEMENTI - INTRODUCTION

1. The European Council held in Stuttgart from 17 to 19 June 1983 undertook a commitment to take broad action to ensure the relaunch of the European Community.
2. To this end the ten heads of state or government decided to open negotiations, under a special urgent procedure, on the following subjects: the future financing of the European Community, the development of Community policies, the issues relating to enlargement, particularly problems of certain Member States in the budget field and in other fields and the need for greater budgetary discipline.
3. The European Council undertook to adopt on all these problems common decisions after examining all the existing policies with particular attention to the Common Agricultural Policy with the purpose on the one hand of modernizing and making more effective the existing policies and determining the priority areas for new Community action and on the other hand to ensure that policies are cost effective and that economies are made wherever possible.
4. The undertakings of the European Council - which are not the first of such declarations of intent - would be worthy of support if it were not for the disappointments created by so many unfulfilled promises. It must be firmly regretted, above all, that while stress is justly laid on the reform of the CAP and the need to strengthen other Community policies and measures and if necessary to launch new ones, nothing concrete is said about regional policy.
5. In the 'Declaration' referred to regional problems are raised only three times and what is more only as an aspect of individual sectors:

- (a) when, in the context of the review of the CAP, mention is made of the need to consider the special problems which may arise in certain regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features;
 - (b) when stress is laid on the urgent need to examine, as soon as they are ready, the Commission's proposals on the integrated Mediterranean programmes, which aim in particular at modernizing Mediterranean agriculture and its better integration into the general economy;
 - (c) when, lastly, the Commission is instructed to submit, by 1 August 1983, a report with proposals to increase the efficiency of the Community's structural funds, including obviously the European Regional Development Fund.
6. Before commenting on these last proposals which represent the specific subject matter of this report, a number of comments are called for first of all to recall and re-emphasize Parliament's view of regional policy and secondly to shed light on the shortcomings of the European Council, the failure to act of the Council of Ministers and the limitations of the mandate conferred on the Commission.
7. The report on the review of the European Regional Development Fund (1) clearly set out the following guidelines for general economic policy and Community Regional Policy:
- (a) measures for recovery must be coordinated between the Member States and concentrated on investment in weaker areas, if the Community is to prevent a simultaneous increase in inflation and in regional disparities, or the creation of protectionist barriers. The resources necessary for these measures are to be found within the EMS and channelled into financing a vast investment plan in the Mediterranean regions and in areas in decline. The stronger areas and the more prosperous Member States, far from having to foot the bill for this expenditure without receiving the benefits, will be able to absorb the demand for investment and intermediate goods;

1) Report by Mr De Pasquale: Doc. 1-61/82 - Resolution adopted at the sitting of 22 April 1982: OJ No. C 125, 17.5.1982, page 84 ff.

(b) the Community's regional policy must aim at reducing regional disparities and counterbalancing the effects of the crisis by strengthening structures in the less favoured regions and not by compensatory transfers of income. In the peripheral regions therefore, productive and profitable investment is required to create new jobs and this must be accompanied by administrative and fiscal measures which will make it possible in the areas of agricultural underdevelopment and industrial decline, to create dynamic industrial agricultural and service industries.

8. However, it must be recognized that this global policy for balance and development whose criteria and objectives are specifically listed in paragraph 7 of the Resolution of 22 April 1982 (1) and which must be supported, as stressed in paragraph 1 of that Resolution, by all the Community financial instruments, is not even mentioned in the declaration of the European Council. This is all the more surprising in that this omission is in sharp contradiction with the 'Solemn Declaration on European Union' signed on 19 June 1983 by the same European Council in Stuttgart.
9. In this 'Solemn Declaration' the heads of state or government stress the importance of 'development of the regional and social policies of the Communities, which implies in particular the transfer of resources to less prosperous regions, so that all Community policies and instruments can play their full role and promote convergence and balanced development' (2).

(1) See OJ No. C 125, 17.5.1982, page 84 ff.

(2) See 'Solemn Declaration on European Union', part 3, 'Scope', point 3.1.9 in EC Bulletin No. 6/1983, page 28.

10. Even though this certainly does not represent the concept of global regional policy intended by the European Parliament, the recognition of the importance of the development of regional policy does at least theoretically constitute an important political statement. However, the fact that this is not reflected, as we have seen, in the practical programme for relaunching the economy in the Community raises doubts that once more statements of this kind will remain a dead letter.
11. In any case, in the regional sector the Council of Ministers bears very specific responsibilities for its failure to act on the reform of the European Regional Development Fund which is the specific instrument designed to help correct imbalances and regional backwardness in the Community.
12. The following dates will clearly illustrate the Council's failures:
- (a) Article 22 of the basic regulation of the ERDF¹ lays down that the Council must review the regulation by 1 January 1982,
 - (b) on 5 November 1981, the Commission presented its own proposals for the reform of the ERDF²,
 - (c) the European Parliament adopted its opinion on these proposals on 22 April 1982³,
 - (d) more than a year later and after a number of disappointing meetings which produced no concrete results, the Council of Ministers meeting on 18 July 1983 concluded with the following statement: After a further exchange of views on the problems raised by the review of the European Regional Development Fund, the Council agreed to return to this matter at its September meeting, on the basis of proposals which the Commission would present at the beginning of August on the structural funds⁴.
13. In this way the Council of Ministers demonstrated in a dramatic fashion its own inability to achieve the reform of the ERDF which would permit the Community to avail itself of a financial instrument for regional development better adapted than the present one, and at the same time any remaining hopes of achieving this objective were left to the report and the proposals which the Commission, on the instructions of the European Council, has in the meantime drawn up on the structural funds.

¹Ref. (EEC) No. 724/75, 18.3.1975 (OJ No. L 73, 21.3.1975) as amended by Reg. (EEC) No. 214/79 (OJ No. L 35, 9.2.1979)

²COM(81) 589 final - OJ No. C 336, 23.12.1981, p.60

³OJ No. C 125, 17.5.1982, p.84 ff

⁴See press release of the Council of the European Communities - General secretariat: 8618/83 (Press 140)

II - THE COMMISSION'S PROPOSALS

14. Among these proposals, those concerning the European Regional Development Fund require some clarification to determine their scope and their limits:
- (a) the ultimate objective is to make 'more effective' and therefore, if possible, to improve the regional fund as it stands after the reform approved by the European Parliament,
 - (b) the Commission's proposals can therefore not in any way be interpreted as rejecting the priorities indicated by Parliament itself,
 - (c) on the contrary, these proposals must help to give new impetus to and bring to a positive conclusion the negotiations in the Council through a certain flexibility in the conception and formulation of those priorities.
15. To confirm the above and to avoid any possible misunderstanding it should be stressed once more that Parliament still considers fully valid the options and priorities which it supported in its opinion of 22 April 1982 and in particular:
- (a) the coordination of the regional policies of the various Member States and of those policies with the Community's regional policy in order to achieve a high degree of convergence of the economies of the Member States and to ensure a better spread of economic activities over the area of the Community,
 - (b) the Regional Fund to take the form not of the only instrument of regional policy but of the specific instrument designed to correct and prevent imbalances and backwardness between regions: this objective must, however, be one of the priorities of all the common policies,
 - (c) the effective coordination between the ERDF and the other Community financial instruments,
 - (d) the additionality of intervention from the regional Fund,

QUOTA SECTION,

- (e) the geographical concentration of aid in areas with a history of chronic backwardness in development, identified on the basis of Community criteria (a compound indicator: per capita GDP/structural unemployment),
- (f) the transition from finance for individual investment projects to finance for investment projects through 'programme contracts',
- (g) extremely flexible application of the rules for aid for operations to encourage the indigenous development potential of the regions,

NON QUOTA

- (h) a substantial increase in the endowment of the non-quota section,

- (i) the concentration of non-quota aid on measures to correct any negative regional effects of a number of Community policies, and to assist regions suffering from industrial decline, transfrontier regions and peripheral and island regions,
- (l) the adoption of specific Community measures by the Commission, and not as at present by a unanimous decision of the Council,

IDO's

- (m) integrated development operations to be put on an official footing with proper regulations.

A - EFFECTIVENESS OF THE FUNDS

16. Before dealing with the proposals on the ERDF which are in the form of simple guidelines, some space must be given to the general considerations which the Commission puts forward on how to improve the efficiency of all the structural funds (including the EAGGF-Guidance Section and the European Social Fund).
17. Having laid down the principles, which are to be fully supported, that the funds must be instruments of development and structural adaptation first and foremost (and only secondarily channels for financial redistribution) and must pursue objectives laid down by the Community, the Commission sets out the general conditions for effectiveness: conditionality of aid, Community nature of the objectives and the concentration of aid.
18. Conditionality, according to the Commission, which considers it an essential feature, means in substance the Commission's power to participate in a dialogue with the Member State concerned in the aid decision to verify whether the measure is in accordance with the specific objectives of the Community and whether it presents the necessary guarantees of effectiveness.
19. This clearly leads to an increase in the Commission's responsibility which is in accordance with the approach which emerges from the various amendments adopted by Parliament on 22 April 1982 during the approval of the reform of the ERDF.
20. Furthermore, full support can be given to the special stress laid on the concentration of aid: in order to pursue the objective of redistribution of resources, not merely to provide assistance but to encourage the creation of dynamic and vital structures, there is an urgent need in particular for both geographical concentration, in the areas marked by historical structural backwardness, and concentration which can be described as 'quantitative' or 'financial' to be achieved by a high level of aid to ensure that the Community resources employed have a significant impact.

B - ERDF

21. It should be pointed out first of all that as the Commission states the hitherto barren negotiations in the Council have made some progress, albeit indecisive progress, on the coordination of national and regional policies, programme financing, support for the indigenous potential of regions and the promotion of integrated development operations, but no progress has been made in particular on the geographical concentration of aid in the quota section or on the size of the non-quota section.
22. To break the deadlock and conclude the negotiations successfully, the Commission proposes a scheme based on various elements which are expressly described as 'essential, inseparable features', the most important of which call for the following remarks.
23. The Fund is to be assigned two major tasks which are apparently to be given the same priority:
 - the correction of historical structural imbalances,
 - the conversion of declining industrial areas.
24. We are certainly in agreement in principle on the Community's duty to intervene to combat industrial decline, but the nature and gravity of the problem demand that there be a hierarchy in priorities. Priority should, therefore, certainly be given to the first of the above two tasks which was the reason why the ERDF was set up in the first place. In any case an extension of the Fund's tasks can only be envisaged if there is a corresponding proportional increase in the financial endowment.
25. Special stress is also laid on the form of ERDF aid: it will take the form of programme contracts and will be carried out in close coordination with the other financial instruments of a structural nature.
26. Furthermore, aid is to be diversified according to the following two phases:
 - first phase (several years): aid will cover either Community programmes governed by appropriate legal provisions or national programmes of value to the Community satisfying the criteria laid down in the general regulation,
 - subsequent phase: all operations will be in the form of programmes governed by specific legal provisions and satisfying specifically Community objectives laid down in a framework regulation.
27. This approach is certainly in line with that of the European Parliament which indeed stressed the importance of programme financing through programme contracts: this development towards a more Community approach, that is to say with programme

contracts within a framework regulation and individual regulations, must then be welcomed in principle.

28. A direct consequence of this greater communitarization of programmes must clearly be that the European Parliament must have a right to participate in drawing up the regional policy priorities and the instruments governing the programmes.
29. Important and welcome corollaries of this approach are the implementation of conditionality through a dialogue between national and Community bodies on the assessment of the Community interest in the programmes and their economic effectiveness within the terms of the individual contract and the requirement for the Community to acquire the necessary structures to inform and assist national and regional administrations in drawing up programmes.
30. Not only does this correspond to a demand frequently expressed by Parliament for a more active role for the Commission but it is also very important to ensure that any operational or planning delays by certain administrations do not cause a reduction in the financial flows towards the countries with the greatest imbalances and historical structural backwardness.
31. The feature which presents the greatest innovation in the Commission's scheme is, apart from the proposed new priority to be given to conversion of industrial areas in decline, the planned abolition of the distinction between the non quota and quota sections and, within the quota section, of national quotas themselves.
32. Here, too, the Commission distinguishes two phases:
 - (a) transitional phase: in this phase the geographical distribution of operations would be governed by quantitative guidelines. In practice, fixed quotas would disappear and be replaced by indicative ranges,
 - (b) final phase: the geographical distribution would be determined by the level of stress placed by the ERDF framework regulation on one of the two priorities referred to above and on the indications contained in the Community programmes with which operations must comply.
33. The following remarks are called for:
 - (a) in principle the abolition of rigid national quotas and their replacement by an indicative range can be welcomed if one does not take a strictly accounting view of ERDF operations, provided, however, that the principle of geographical and quantitative concentration of resources is applied based firstly on the priority of reducing historical structural imbalances and also on an allocation of aid which matches the specific needs of the individual countries which have imbalances;

- (b) particularly with regard to the final phase, mentioned above, in which all the Fund's operations will take the form of programmes whose general Community objectives are laid down in a framework regulation and more in detail by specific legislation, the abolition of this distinction between non-quota and quota sections also appears in principle as logical and natural. This solution does not, however, eliminate the basic problem which is that of the final destination of the Fund's resources. We must, therefore, repeat here the remarks in letter a) above: this is in any case perfectly in keeping with the contents of the above quoted passage from the 'Solemn Declaration on European Union',¹ which stresses the principle of transfer of resources towards the poorer regions, which are without a doubt still those with historical problems of backwardness and underdevelopment;
- (c) the decisive weight which the guidelines and priorities will have in determining the destination of ERDF finance makes it all the more clear that the European Parliament must participate actively in drawing these up.

34. In conclusion, the above new scheme presented by the Commission for the ERDF can be welcomed only on condition that account is taken of the vote of Parliament on 22 April 1982 and of the comments and concerns expressed above and, clearly, subject also to the detailed legislation which the Commission will have to present to implement these new guidelines which necessarily demonstrate a certain lack of precision and clarity.

C - COORDINATION

35. We must re-emphasize the extreme importance of coordination which, to be effective, must be pursued and implemented at the following levels:
- (a) coordination between the structural Funds at the stage when programmes are being drawn up,
 - (b) coordination of the Funds with intervention by Community borrowing and lending instruments,
 - (c) coordination of the above Community intervention with national and local financial instruments, both to increase the impact of the measures and to verify the compatibility of national measures with the objectives of Community regional policy and the regional development programmes.

D - MULTIANNUAL FINANCIAL PLANNING AND INCREASE IN RESOURCES

36. Mention should be made, even if only to agree fully with the Commission, of the proposal for planned budgeting to ensure that the share of structural expenditure in the Community budget is progressively increased with the aim of doubling it in real terms, over a period of five years.

¹ See point 9 of this explanatory statement, p.11

37. This is a proposal of capital importance and can be considered very moderate considering that:
- (a) the Funds, and in particular the ERDF, must be given the weight to have an impact more in keeping with the objectives set them,
 - (b) the enlargement of the Community will create even greater needs for aid.
38. Furthermore, it would be truly ironic to affirm solemnly that a transfer of resources towards the poorer regions is needed and then fail to make such resources available.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr PROTOPAPADAKIS

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) OJ No. C 161 of 20.6.83.

(2) OJ No. C 96 of 11.4.83.

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

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

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

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

6. EAGGF Guidance

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

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

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

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

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

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

7. Social Fund

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

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

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

⁽¹⁾ Resolution of 17.5.83, para. 30

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

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

8. European Regional Development Fund

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

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

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

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

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

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

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

9. Coordination and management of the Funds

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

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

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

10. Budgetary implications

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

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

EAGGF Guidance - Evolution forecast of appropriations

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

Social Fund - Evolution forecast of appropriations

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

Regional Fund - Evolution forecast of appropriations

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

Overall evolution (EAGGF Guidance, ESF, ERDF)

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

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

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

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

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

1984 :-

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

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

11. Remarks

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

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

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

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

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

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

12. Conclusions

The Committee on Budgets :

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

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

OPINION

OF THE COMMITTEE ON BUDGETARY CONTROL

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

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

Dear Mr Papaefstratiou,

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

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

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

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

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

(c) concentration of fund assistance.

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

- (a) wider scope for action by the Commission which would be allowed to apply tighter conditions for fund assistance. This would help to improve both the quality of the subsidized projects and the implementation of specific Community measures;
- (b) the need for closer coordination of assistance under the funds has been emphasized by Parliament on several occasions; the Committee on Budgetary Control, particularly in relation to the 1981 discharge (paragraph 16), has stressed that the coordination of the individual structural funds and national policies presents certain difficulties. The reinforcement (in terms of both authority and legal position) of the 'task force', which is to arrange this coordination, is therefore absolutely essential;
- (c) the concentration of assistance would seem to be desirable but it should not be forgotten that the individual funds pursue distinct objectives.

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

- (a) an improvement in the systems of advance assessment of subsidized actions, largely on the basis of cost-benefit analysis;
- (b) thorough retrospective scrutiny of the economic and financial aspects, with the aid of more precise information from national authorities and a unit with responsibility for all the funds, to monitor economic efficiency;

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

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

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

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

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

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

Yours sincerely,
(sgd) Heinrich AIGNER

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